



**BABA FARID**  
SUGAR MILLS LIMITED

<https://bfsml.com>

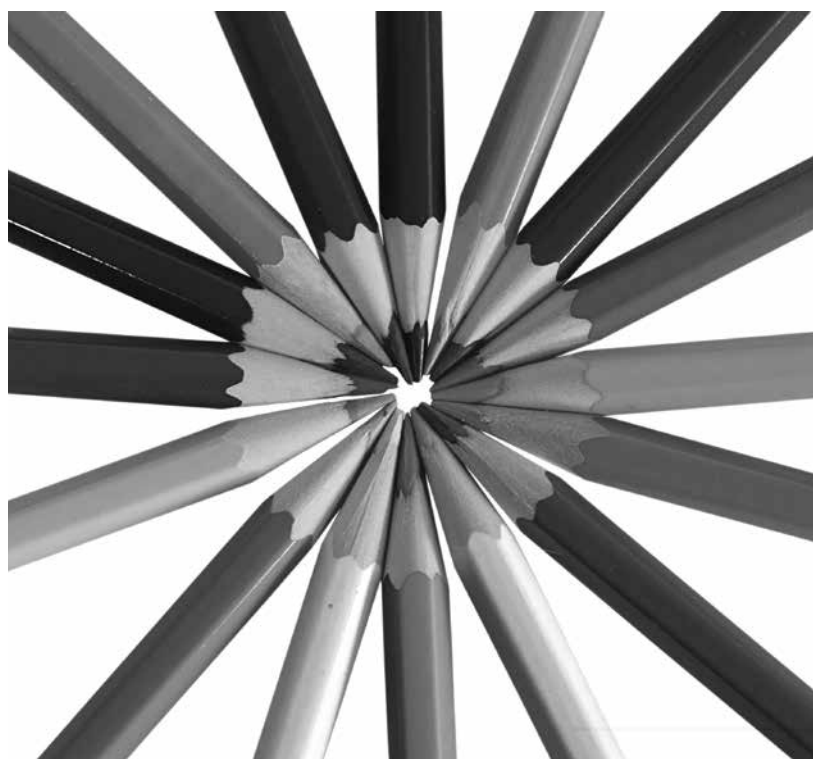


# **ANNUAL REPORT**

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## **2022**

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# COMPANY INFORMATION

## BOARD OF DIRECTORS

|                                    |                      |
|------------------------------------|----------------------|
| Mrs. Qaiser Shamim Khan            | Chairperson          |
| Mr. Adnan Ahmed Khan               | Chief Executive      |
| Mr. Muhammad Shamim Khan           | Executive Director   |
| Mr. Nauman Ahmed Khan              | Non-Executive        |
| Mrs. Sarah Hajra Khan              | Non-Executive        |
| Mr. Farid ud Din Ahmed             | Independent Director |
| Mr. Malik Manzoor Hussain Humayoon | Independent Director |

## CHIEF FINANCIAL OFFICER

Mr. Wasif Mahmood

## COMPANY SECRETARY

Mr. Muhammad Imran

## AUDITORS

M/s BDO Ebrahim & Co.  
Chartered Accountants  
F-2, First Floor, Grace Centre,  
Canal Bank Road, 1-B Canal Park,  
Gulberg-II, Lahore  
Tel: 042-35875709-10  
Fax: 042-35717351  
Email: info@bdo.com.pk

## MILLS

5 K.M. Faisalabad Road, Okara  
Tel: 044-2714418-21  
Fax: 044-2522978

## BANKERS

Habib Bank Limited  
Bank Al-Habib Limited  
MCB Bank Limited  
MCB Islamic Bank Limited  
Meezan Bank Limited  
Bank Alfalah Limited  
Soneri Bank Limited  
Allied Bank Limited  
Askari Bank Limited



## HUMAN RESOURCES & REMUNERATION COMMITTEE

|                                    |          |
|------------------------------------|----------|
| Mr. Farid-ud-Din Ahmad             | Chairman |
| Mr. Adnan Ahmed Khan               | Member   |
| Mr. Malik Manzoor Hussain Humayoon | Member   |

## AUDIT COMMITTEE

|                                    |          |
|------------------------------------|----------|
| Mr. Farid-ud-Din Ahmad             | Chairman |
| Mrs. Sarah Hajra Khan              | Member   |
| Mr. Malik Manzoor Hussain Humayoon | Member   |

## NOMINATION COMMITTEE

|                                    |          |
|------------------------------------|----------|
| Mr. Malik Manzoor Hussain Humayoon | Chairman |
| Mr. Farid-ud-Din Ahmad             | Member   |

## RISK MANAGEMENT COMMITTEE

|                                    |          |
|------------------------------------|----------|
| Mr. Malik Manzoor Hussain Humayoon | Chairman |
| Mr. Farid-ud-Din Ahmad             | Member   |

## SHARE REGISTRAR

M/s Corplink (Pvt) Limited  
Share Registrar, Wings Arcade,  
1-K Commercial Model Town, Lahore.  
Tel: 042-35916714,  
Fax: 042-35869037  
Email: corplink786@gmail.com

## REGISTERED OFFICE

2-D-1, Gulberg III, Lahore  
Tel: 042-35771066-71  
Fax: 042-35756687  
Email: info@bfsml.com  
Website: www.bfsml.com

## LEGAL ADVISOR

M/s Ahmed & Pansota  
Advocate and Legal Consultants  
20 - Sir Gangaram Mansions  
The Mall Lahore  
Tel: 042-37313549, 37313520  
Tel: 042-36672102

## VISION STATEMENT

We shall build on our core competencies and achieve excellence in performance to become a leading producer of best quality sugar. In doing so we aim to meet or accede the expectations of all our stakeholders.

Our goal is not only to attain technological advancements in the field of sugar but also to inculcate the most efficient, ethical and time tested business practices in our management.

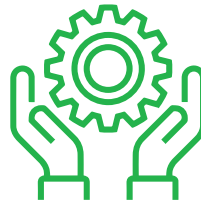
Furthermore, we shall strive to innovate the ways for the improvement and increase in per acre yield of sugarcane and introduce improved varieties of sugarcane having better yield characters, high sucrose contents, disease and drought resistant and better ratooning crop in the region. We shall introduce the mechanized sugarcane cultivation method to the growers and to educate regarding latest developments of agriculture technology and free consultancy of professionals.

## MISSION STATEMENT

We aim to be a leading producer and supplier of quality sugar by adopting the most technological advancement. We intend to play a pivotal role in the economic development of Pakistan.







## CORPORATE STRATEGY

Our corporate strategy and objectives for the future are to find new and improved means of cost reduction, fuel economy and to acquire advanced manufacturing capabilities to support our product development efforts and product line expansion and stand ready to leverage our debt and be responsive to the changing economic scenario. We believe in harnessing the inherent strengths of available human resource and materials to the utmost and a commitment for building a solid foundation poised for sustainable growth for the long-term benefit of our shareholders and employees.



## CORE VALUES

- ⚙️ Strive for excellence and build on our core competencies.
- ⚙️ Keep up with technological advancements in our biological control laboratory and extend the Research & Development Programme to control sugarcane crop diseases.
- ⚙️ Inculcate efficient, ethical and time tested business practices in our management.
- ⚙️ Work as a team and support each other.
- ⚙️ Put the interest of the company before that of the individuals.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 44th Annual General Meeting of the Shareholders of the **Baba Farid Sugar Mills Limited** will be held on **Friday, January 27, 2023 at 15:00** Hours at Registered Office, 2-D-1, Gulberg III, Lahore and via video link/Zoom application, to transact following businesses:

## ORDINARY BUSINESS:

1. To Confirm minutes of the 43rd Annual General Meeting of the Baba Farid Sugar Mills Limited held on 28-01-2022 as submitted to PSX.
2. To receive, consider and adopt Annual Audited Financial Statements of the Company for the financial year ended 30th September 2022 together with Auditor's and Board of Directors' reports thereon.
3. To appoint Auditors of the Company for the next financial year 30th September, 2023 and to fix their remuneration. Present Auditors M/s. BDO Ebrahim & Co. Chartered Accountants, Lahore, retired and being eligible, have offered themselves for reappointment as Auditors of the Company.

## SPECIAL BUSINESS:

4. To consider and approve the transactions carried out with related parties in normal course of business and if thought fit to pass the following resolutions as special resolutions with or without modification.
- a) **"RESOLVED that** transactions carried out by the Company in the normal course of business with related parties for the period ended September 30, 2022 be and are hereby ratified, approved and confirmed"

| Names (s)                                | Nature of Transactions   | Amount (PKR)  |
|--|--|---|
| Naubahar Bottling Company (Pvt.) Limited | Sale of Sugar<br>Paid/recived/adjustment(net)<br>Long term loans (Net)- repaid<br>Mark-up charged on Long Term Loans | 1,377,915,000/-<br>1,377,915,000/-<br>600,000,000/-<br>16,603,863/- |
| The Thal Industries Corporation Limited  | Sale Store Items<br>Purchases- Store items<br>Paid/ received/adjustment (net)  | 517,140/-<br>18,495,654/-<br>17,978,514/-                           |
| Almoiz Industries Limited                | Sale of scrap<br>Paid/received/adjustment (net)<br>Purchase – store items  | 43,697,340/-<br>35,702,340/-<br>7,995,000/-                         |

- b) **"FURTHER RESOLVED that** the Chief Executive Officer of the Company or his nominee be and is hereby authorized to approve all the transactions to be carried out in the normal course of business with related parties till the next Annual General Meeting of the Company and in this connection the Chief Executive Officer of the Company or his nominee be and is hereby authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regards on behalf of the Company"
5. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD



MUHAMMAD IMRAN  
Company Secretary

Lahore:  
December 27, 2022

## NOTE:

### 1. Closure of Shares Transfer Books:

Share Transfer Books of the Company will remain closed from 20-01-2023 to 27-01-2023 (both days inclusive). No transfer of shares will be accepted for registration during the closed period. However, transfer received at the office of the Company's Share Registrar Office at M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore, Telephone No. 042-35916719, Email address: corplink786@gmail.com by the close of business hours on 19th January, 2023 will be treated in time for the entitlement of payout of cash dividend (if any).

### 2. Appointment of Proxy:

A member entitled to attend and vote at the AGM is entitled to appoint another member as proxy to attend and vote instead of him/her. The instrument appointing a proxy must be received at the Registered Officer of the Company not less than 48 hours before the time fixed for AGM. Further the company has placed Notice of AGM along with Form of Proxy for the year ended 30th Sep. 2022 on Company's website. [www.bfsm.com](http://www.bfsm.com).

### 3. Coronavirus Contingency Planning For AGM:

In view of continued threats of new variants of Coronavirus Pandemic as well as Directives / Instructions / Guidelines of SECP and other Government Dept. / Institutions, listed companies are required to modify their usual planning for general meetings with minimized physical attendance and that too with due implementation of COVID-19 related SOPs of federal and provincial governments along with arrangement for online participation. Accordingly, for the purposes of prioritizing wellbeing, health and safety of BFSML shareholders, directors and employees, the Company has made both arrangements while also ensuring compliance with quorum and other legal / regulatory requirements of general meetings. Shareholders of BFSML are encouraged to participate in AGM electronically through video link / Zoom Application and further encouraged to consolidate their attendance through proxies.

#### (a) Participation in AGM vis Zoom application:

The shareholders are encouraged to login and participate in the proceedings of AGM through their own smart phones/computers from their own convenient locations after completing all formalities as required for verification and identification of shareholders to attend the AGM electronically, the Login facility will be opened about half hour before the start of AGM.

- (b) The shareholders of BFSML, who wish to attend the AGM electronically through video link, are requested to register their following particulars by sending an e-mail at [info@bfsm.com](mailto:info@bfsm.com) latest by or before the close of business hours (05:00 p.m) on 26-01-2023.

| Folio /CDC account No. | No. of Shares held | Name of Shareholder | Father's/ Husband's Name | CNIC No. | Cell Phone No. with WhatsApp | Active email address |
|------------------------|--------------------|---------------------|--------------------------|----------|------------------------------|----------------------|
|                        |                    |                     |                          |          |                              |                      |

The video link and/or login credentials will be shared with the shareholders whose e-mail, containing all the requested particulars, are received at the given e-mail address by or before the date/time specified above. For any query regarding procedure/requirements of online participation in AGM, the members may please contact on the above cited e-mail address or at +92 42 35771066-71 during business hours.

Further, in case of physical the members are requested to ensure guidelines to attend AGM in person alongwith computerized national identity card or appoint some other member as proxy and send their



proxy duly witnessed so as to reach at Registered Office, 2D-1 Gulberg III, Lahore not later than 48 hours before the time of holding the meeting.

Copies of Memorandum and Articles of Association of the Company, Listing Regulations of the Stock Exchanges, Companies Act 2017 and other relevant laws/record may be inspected during the business hours on any working day at 2-D-1, Gulberg III, Lahore from the date of the publication of the notice till the conclusion of the general meeting. A Corporate member of the Company may by a resolution of its Board of Directors authorize a person to act as its representative at the meeting.

#### 4. Video Conferencing Facility:

If the Company receives consent from members holding aggregate 10% or more shareholding, residing in geographical location to participate in the meeting through video conference at least 7 days prior to the date of AGM, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

In this regard, please fill the following and submit to registered address of the company at least 7 days prior to the date of AGM.

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of the Baba Farid Sugar Mills Limited, holder of \_\_\_\_\_ ordinary share(s) as per Registered Folio/CDC Account/Sub Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

#### 5. Change of Address:

Shareholders are requested to promptly notify the change in their address, if any to the Company's Share Registrar M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their computerized National Identity Card as per Listing Regulations, if not provided earlier.



## 6. Guidelines for Shareholders to Access CDC's eServices Portal:

Central Depository Company (CDC) has developed Central Cash Dividend Register (CCDR) as eServices web portal which would incorporate details pertaining to cash dividends paid, unpaid or withheld by listed companies. The CCDR will help to maintain the history of dividends paid to shareholders by listed companies and access to all such information will be provided to the respective shareholders. The web portal will facilitate shareholders of listed companies and access to all such information will be provided to the respective shareholders. The web portal will facilitate shareholders of listed companies in retrieving details of cash dividends from centralized register and using the same for their record purposes.

Further you may access CCDR via <https://eservices.cdcaccess.com.pk> In Addition, the Dividend/Zakat & Tax deduction Report can also be obtained directly from your Participant (Stock broker) which has been provided to them on their CDS terminals, Moreover, you will also receive a copy of this report on your provided/registered email address.

## 7. Submission of Copy of CNIC:

Pursuant to the directives of the Securities and Exchange Commission of Pakistan (SECP) through its Notification No. SRO 831 (1) 2012 dated July 5, 2012 r/w SRO 19(1)/2014 dated January 10, 2014, dividend warrants cannot be issued without valid CNICs. All the shareholders were advised to submit copies of their valid CNICs. In the absence of shareholders valid CNIC the company will be constrained to withhold dispatch of dividend to such shareholders. Those shareholders who have not yet submitted their valid CNICs are once again advised to provide attested copies of their valid CNICs with their folio numbers to the company's Share Registrar if they hold physical shares, to ensure timely disbursement of dividend.

## 8. Deduction of Withholding Tax on the amount of dividend:

Pursuant to Circular No.19/2014 dated October 24, 2014, SECP has directed all companies to inform shareholders about changes made in the section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as: for filers of Income Tax return 15.00% and Non-filers of Income Tax return 30.00% respectively. You are therefore advised to check and ensure your Filer status from Active Tax Payer List (ATL) available to FBR, website [www.fbr.gov.pk](http://www.fbr.gov.pk) as well as ensure that your CNIC/ Passport number has been recorded by your Participant/ Investor Account Services (in case your shareholding is in book entry form) or by Company's Share Registrar M/s. Corplink (Pvt.) Ltd. (in case of physical shareholding).

## 9. Payment of Dividend Electronically

According to the provisions of Section 242 of the Companies Act, 2017 ("the Act"), any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Further, rule 3 of the Companies (Distribution of Dividends) Regulations, 2017 provides that the company should make payment of cash dividend within a period of fifteen working days from the date of its declaration. Therefore, the registered shareholders of the Company are requested to provide the following details in order to credit their cash dividends directly to their international bank account number (IBAN), if declared:

- (i) In case of book-entry securities in CDS, to CDS Participants; and
- (ii) In case of physical securities to the Company's Share Registrar M/s. Corplink (Pvt.) Limited, as mentioned below.

1. Name of Shareholder;\_\_\_\_\_
2. Father's / Husband's Name;\_\_\_\_\_
3. Folio Number;\_\_\_\_\_
4. Postal Address;\_\_\_\_\_
5. Name of Bank;\_\_\_\_\_
6. Name of Branch;\_\_\_\_\_
7. Address of Branch;\_\_\_\_\_
8. Title of Bank Account;\_\_\_\_\_
9. Bank Account Number (Complete with code);\_\_\_\_\_
10. IBAN Number (Complete with code);\_\_\_\_\_
11. Cell Number;\_\_\_\_\_
12. Telephone Number (if any);\_\_\_\_\_
13. CNIC Number (attach copy);\_\_\_\_\_
14. NTN (in case of corporate entity, attach copy);\_\_\_\_\_

IBAN number (International Bank Account Number) will be provided by your banker, containing alpha, number and without any space and gap.

#### **To, Share Registrar**

M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore. Ph. No. 042-35916719, 042-35839182,

#### **10. Electronic Transmission of Audited Financial Statements & Notices of AGM:**

SECP through its Notification SRO No. 787 (1) 2014 dated September 8, 2014 has allowed the circulation of Audited Financial Statements along with Notice of Annual General Meeting to the members of the Company through email. Therefore, all members of the Company who wish to receive soft copy of Annual Report are requested to send their email addresses. The financial report for electronic transmission could be downloaded from Company's website: [www.bfsml.com](http://www.bfsml.com). The Company has already dispatched hard copy of the Audited Financial Statement to its shareholders.

#### **11. Postal Ballot/ E-Voting::**

In accordance with the Companies (Postal Ballot) Regulations, 2018, for any agenda item subject to the requirements of Section 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right of vote through postal ballot i.e by post or e-voting, in the manner and subject to the conditions contained in the aforesaid regulations.

#### **12. Deduction of Zakat from the amount of Dividend:**

Deduction of Zakat from the amount of Dividend: In accordance with Zakat & Ushr Ordinance, 1980 and/or applicable rules & regulations made thereunder (the Laws), if any shareholder has not submitted within the timeframe prescribed under the Laws, or at least one month before the start of close period fixed for dividend entitlements a duly filled/completed and properly attested in original the Zakat Declaration (in case of Muslim) and Solemn Affirmation (in case of Non-Muslim) on the formats prescribed under the Laws to his/her Broker/CDC (in case of CDS shareholder) and to the Company's Share Registrar (in case of physical shareholder), then his/her zakat status in the dividend entitlement register may be found as Muslim Zakat Payable, and the Company will be constrained to make compulsory deductions of Zakat @ 2.5% of face value of each share from the gross amounts of his/her cash dividends.



## STATEMENT OF MATERIAL FACTS UNDER SECTION 134 (3) OF THE COMPANIES ACT 2017

This statement sets out the material facts pertaining to the elections of directors and the special businesses to be transacted at the 44th Annual General Meeting (AGM) of Baba Farid Sugar Mills Limited to be held on Friday January 27, 2023 at 15:00 Hours at Registered office at 2-D-1, Gulberg III, Lahore, and through electronically video link/ Zoom application.

### STATEMENT U/S 134(3) OF THE COMPANIES ACT, 2017

The transactions with associated company were carried out during the year, therefore, these transactions have been placed before the shareholders of the Company for their approval.

#### Agenda Item No. 5: Ratification and Approval of Related Party Transactions: (Associated Companies)

The Company is and shall be conducting transactions of sales and purchase of goods with Naubahar Bottling Company (Pvt.) Limited, The Thal Industries Corporation Limited and Almoiz Industries Limited for the period commencing from October 1st, 2021 to period ends September 30, 2022 in the normal course of business. The prices, terms and conditions agreed between the companies are based on Arm Length Basis under Related Party Transactions Policy of the Company. The directors of

the company have no interest whatsoever both directly or indirectly except for common directorship. Record consisting of details of all the transactions along with all supporting documents is maintained as per legal requirements and available in the registered office of the company.

Nature and amount of transactions along with applicable pricing policy are detailed below:

| Names(s)  | Nature of Transactions   | Transactions during the period<br>Amount (PKR)                      |
|---|--|---|
| <b>Naubahar Bottling Company (Pvt.) Limited</b> | Sale of Sugar<br>Paid/recived/adjustment(net)<br>Long term loans (Net)- repaid<br>Mark-up charged on Long Term Loans | 1,377,915,000/-<br>1,377,915,000/-<br>600,000,000/-<br>16,603,863/- |
| <b>The Thal Industries Corporation Limited</b>  | Sale Store Items<br>Purchases- Store items<br>Paid/ received/adjustment (net)  | 517,140/-<br>18,495,654/-<br>17,978,514/-                           |
| <b>Almoiz Industries Limited</b>                | Sale of scrap<br>Paid/received/adjustment (net)<br>Purchase – store items  | 43,697,340/-<br>35,702,340/-<br>7,995,000/-                         |

The Directors are interested in the resolution to the extent of their common directorship in the Associated undertakings. The following were the common directors in Baba Farid Sugar Mills Ltd with the Almoiz Industries Ltd, The Thal Industries Corporation Ltd and Naubahar Bottling Company (Pvt.) Ltd and respectively:

- |                             |                            |
|-----------------------------|----------------------------|
| 1. Mr. Muhammad Shamim Khan | 2. Mrs. Qaiser Shamim Khan |
| 3. Mr. Adnan Ahmed Khan     | 4. Mr. Nauman Ahmed Khan   |
| 5. Mrs. Sarah Hajra Khan    |                            |

The Company shall continue to carry out transactions with the related parties in the ordinary course of business till next the Annual General Meeting. The nature and scop of such related party transactions are explained above in the statement of relevant agenda item. Therefore, such transactions with related parties have to be approved by the shareholders. The shareholders may authorize the Chief Executive or his nominee to approve such transactions till the next Annual General Meeting.

There is no specific interest of the directors in these special resolutions, except that mentioned above.



## CHAIRMAN'S REVIEW

I am pleased to present this report to the shareholders of Baba Farid Sugar Mills Limited (the Company) and it gives me the immense pleasure to present the financial and other information for the year ended September 30, 2022 and to appraise them on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Company's Goals, corporate objectives and strategy based on strategic planning which are in line with the vision and mission of the Company.

The year under review was challenging for the business environment due to unprecedented domestic political unrest, high inflationary pressure, significant twin deficit, dwindling foreign exchange reserves, rapidly depreciating currency and in addition to it Russia-Ukraine conflict which dented the global economic that was already under recovery from corona pandemic impacts. State bank of Pakistan has tightened the monetary policy in a move to combat inflationary pressure and promote sustained economic recovery. In September 2021 the policy rate was 7.25% that jumped to 15% in July 2022 and in November 2022 it climbed to 16%. It's a massive 7.25% increase in a single year accounting 107% increase. PKR-USD parity was 172 at the start of financial year that took a leap to settles at 227 at the close of the financial year. It was again a mammoth increase of 32% in just a single year. CPI increase was witnesses more than 20% on YOY basis. During the year torrential rains and widespread flooding that were never seen before, added further to woes of the already struggling economy. This unprecedented flooding is claimed to be an



outcome of climate changes due to global warming. Pakistan is among the list of most affected countries due to climate change though it is contributing among the least in global warming. The stated factors among others led to macroeconomic imbalances. As per World Bank report Pakistan's economy is expected to grow by about 2% for fiscal year 2023.

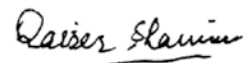
We believe in steadily improving the governance framework of the Company. For this purpose, a formal and effective mechanism in place for evaluation of the Board. Therefore, as required under the Code of Corporate Governance, an annual evaluation of the Board of the Company was carried out, the purpose was to ensure and measure the Board's overall performance and effectiveness and bench marked against expectations in the context of objectives set for the Company. The Board made arrangements for orientation of Directors to acquaint them with the Rules, Regulations & Laws issued by the Regulatory Authorities and enable them to effectively govern the affairs of the Company for and on behalf of the shareholders.

The Board met the duties as required under the Companies Act, 2017 and the Code of Corporate Governance, applicable to the Company which include approval of significant policies, establishing a sound system of internal controls, approval of budgets and financial results, along with approval of significant investments. The Audit Committee and the Human Resource & Remuneration Committee were chaired by the independent director, indicating our commitment to the highest levels of governance and transparency. The Audit Committee has continued to supervise the financial reporting processes and ensuring timely and accurate communication of information to all stakeholders.

The Board ensures that reasonable time is available for discussion on the agenda during Board Meetings. All written notices, including the agenda, supporting documents and other working papers of meetings were circulated with-in a reasonable time prior to the meetings. Further, the Board has a fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and

control of the Company's business risks, the integrity of management information systems and transparent reporting to shareholders. The Company continues to deal with the current challenging business environment and strategic changes to improve the future sustainability, the Board is fully responsive and actively guided the Management. I am confident that the Management will successfully device necessary adjustments in the Company's operations, financial management and growth strategy. Looking ahead, the Company aims to further enhance its competitive position by expanding allowable manufacturing capabilities, strengthening research and development by leveraging its expertise. The Board and management are focused on creating enduring value for all stakeholders through improved operational efficiencies, cost controls, portfolio diversification and leveraging strong customer relationships.

I would like to place on record, my sincere appreciation for devotion of duty, loyalty and hard work of the executives, officers, staff members and workers for smooth running of the Company's affairs and hope that they will continue for enhancement of productivity with great zeal and spirit under the blessings of Almighty Allah. And thanks to all the Government functionaries, banking and non-banking financial institutions, suppliers and shareholders for their continued support and cooperation for the betterment and prosperity of the Company.



Lahore:  
27 December, 2022

Mrs. Qaiser Shamim Khan  
Chairperson

# DIRECTOR'S REPORT TO THE MEMBERS



On behalf of the Board of Directors (BOD), I am pleased to present the Annual Report of Baba Farid Sugar Mills Limited (BFSML) for the year ended September 30th, 2022 along with the audited financial statements and Auditors' Report thereon.

## INDUSTRY OVERVIEW

Sugarcane is among the largest crops of Pakistan. Sugar is second largest agro-based industry after textile in the country. Its production accounts for 3.7% in agriculture's value addition and 0.8% in GDP. During 2021-22, sugarcane was cropped on 1,260 thousand hectares and recorded an increase of 8.2% as compared to last year's sown area of 1,165 thousand hectares. A bumper sugarcane crop production recorded at 88.651 million tons during 2021-22, up by 9.4 percent over last year (81.009 million tons). As per economic survey of Pakistan better sugarcane procurement price incentivized growers to dedicate more area to sugarcane and favorable weather conditions, better management and timely availability of quality inputs made the crop yield better.

For crushing season 2021-22, notified support price of sugarcane was revised to Rs. 225 per

40 kg from Rs. 200 per 40 kg in the Province of Punjab, however, price war pushed the prices further upward throughout crushing season. The average sugarcane purchase cost remained higher than the support price.

The overall sugar recovery remained comparatively low due to early start of crushing season. However, the sugar prices also remained low due to surplus production of refined sugar against demand in the country.

## PERFORMANCE OF THE COMPANY

The evident improvement in the Company's sugar production as compared to last year i.e 30.18% increase is mainly due to the endeavors of management and staff, improved production efficiencies, better relationship with Growers and other stakeholders and experience of the management. The Company's Operating and financial performance is also elaborated below:

### Operating Performance

The summarized operating performance of your Company for the year 2021-22 compared to last year is presented as follows:

| Description             | 2021-22 | 2020-21 |
|-------------------------|---------|---------|
| Sugar Cane Crushed (MT) | 604,762 | 457,225 |
| Sugar Produced (MT)     | 54,027  | 41,502  |
| Sugar Recovery (%)      | 8.936   | 9.072   |
| Molasses Produced (MT)  | 27,815  | 21,415  |
| Plant Operational Days  | 132     | 116     |

## Financial Performance

The summarized financial performance of your Company for the year 2021-22 compared to last year is presented as follows:

| Description                 | 2021-22             | 2020-21     |
|-----------------------------|---------------------|-------------|
|                             | (Rupees in Million) |             |
| Net Sales                   | 3,938.712           | 3,864.161   |
| Cost of Sales               | (3,990.959)         | (3,613.466) |
| Gross Profit / (Loss)       | (52.247)            | 250.695     |
| Other Income                | 321.182             | 138.316     |
| Other expenses & taxes      | (511.232)           | (266.792)   |
| Net (Loss) / Profit         | (242.297)           | 122.219     |
| Earnings / (Loss) Per Share | (25.64)             | 12.93       |
| Gross Profit / (Loss) Ratio | (0.01)              | 0.06        |
| P/E Ratio                   | (1.48)              | 4.07        |
| Market Price Per Share      | 37.90               | 52.63       |

## (LOSS) / EARNING PER SHARE

The loss per share of the company for the year under review stood at Rs. 25.64 (2021: Earning per share 12.93).

## RISK MITIGATION

The Board of Directors, Board's Audit Committee, and Steering Committee comprising of the senior management team led by the Chief Executive Officer are responsible for oversight of Company's operations and to evolve proactive strategies to mitigate any potential adverse impact of major risks.

## CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain investors, creditors, and market confidence and to safeguard its ability to continue as a going concern. The Company manages its capital structure and makes appropriate adjustments to move with economic changes and the risks associated with safeguarding its asset base. Your Company's

management believes in maintaining an appropriate debt-equity ratio and optimal mix of long and short-term debts.

## RESEARCH AND DEVELOPMENT

Agricultural R&D is an integral part of the Company's policy which entails identification and multiplication of promising new sugarcane varieties and their subsequent commercial sowing through progressive growers with best agricultural practices. This will not only increase per acre yield of sugar cane but also enhances the grower's earning and creates more enthusiasm for sowing sugarcane compared to competing crops. It also increases the sugarcane supply to the Company and directly improving the bottom line of the Company.

The Company has invested in research and development initiatives, focusing on the cane breeds improvement, and the development of energy crops, production technologies and machinery to sustain its growth momentum.

## HUMAN RESOURCE DEVELOPMENT AND EMPLOYEE RELATION

Human Resources are the most vital asset of your Company to maintain its sustainability as they are the source of Knowledge, Skills, and Competence. The vision of human resources has been determined based on the core value defined by the Company's Management. Your Company believes that effective utilization of competitive human resources is the most important to survive in an ever-changing business environment and to achieve sustainable growth.

Your Company gives utmost importance to the ongoing development of its human resource for smooth operations. The Company uses a combination of on-job training and enhanced skill programs through subject specialists to promote the effective development of human resources.

The cordial relationship between the management and the employee remains as good as they have been for the last many years. The pleasant relationship is also reflected in our employee turnover rate, which is very low, whether compared to our sector or across other sectors.

## RELATIONSHIP WITH GROWERS

The Company enjoys cordial relationship with the farmer's community as it considers the growers to be its backbone. To maintain and further strengthen the relationship, the Company as a matter of principle gives priority and endeavors to;

- Consistently follow the policy of timely payments of sugarcane to growers.
- Fulfill farmers' financial requirements by providing them financial assistance in the form of agri inputs. During the period under review, substantial amount of agriculture loans was advanced to growers in the form of seed, fertilizers and pesticides.
- Enhance technical skills through various advisory programs.
- Provide better quality and better yield varieties of sugarcane resulting in increased productivity in sugarcane yield per acre and for better sugar recovery.

## FUTURE OUTLOOK AND GOING CONCERN ASSUMPTION

The Crushing season 2022-23 has started and is expected to be more challenging one for the sugar industry. The Government of Punjab has notified the

sugarcane price at Rs. 300/- per 40 kg. The sugarcane situation in the procurement area of the Company has slightly improved due to higher acreage and also the Company is observing a good recovery as compared to last year. Although heavy flood in the Sind and KPK has effected most of the crops in the country however sugarcane crop remained one of the lowest effected crop in the country due to its nature. Considering the current condition of the crop, high sugarcane support price, and low sugar prices will be the major hindrances towards the profitability.

The government must ensure the price of sugar is reflective of the price of sugarcane and other costs in line with prevailing inflation to create a conducive business environment for the industry as well as develop policies to promote agriculture by providing seeds to farmers those are better in yield and recovery.

Going forward the Company is expected to perform operationally better but the external environment is crucial in determining the earnings. Keeping in view the impact of higher sugarcane prices, highest interest rates and inflationary pressure may will badly effect the profitability, while, the sugar prices to determine the extent of profitability unless Government allow the export of sugar for surplus sugar stocks in the country. Looking forward it is expected; that country's economy to grow at low rate, higher interest rates, continued pressure on Rupee vs other currencies as well as political ambiguity is expected to prevail due to election year.

However, it is expected that Company will improve further in its operations and this is essentially due to better management and commitment by professional management and its team. These ingredients will hopefully revive the Company on overall basis.

These financial statements have been prepared on a going concern basis, based on the sponsors' commitment to provide financial and operational support to the Company. The management has no doubts about the Company's ability to continue as a going concern.

## CORPORATE SOCIAL RESPONSIBILITY

The Company has always strived to play its due role in the society and fulfill its responsibility towards the people and environment of Pakistan. In line with its corporate social responsibility policies, the Company has endeavored to improve the overall conditions of the people living around the manufacturing plant and the surrounding areas.

## SAFETY, HEALTH AND ENVIRONMENT

Your Company implemented strict protocols on health and employee safety. In this regard, the Company follows applicable laws and regulations.

Personal protection equipment is provided to all staff and steps like social distancing, contact tracing, random testing, etc. were introduced by the Company to ensure the wellbeing of employees and continuity of business.

The Management of Baba Farid Sugar Mills Limited (BFSML) believes that protection of environment is important for survival of every person and as such the Company attaches utmost importance to provide healthy atmosphere to its employees and to the society at large. Your company continued to be conscious of its social responsibility and the management has taken appropriate measures to achieve pollution free environment.

## CUSTOMER FOCUS

The Company believes that its valued customers are the foundation of its business success. The Company policies are fully customer's focused by putting them at the center of its business decision-making. The Company is following a long-term strategy that develops loyalty and builds trust. Close liaison with the market and customers has always enabled your Company to best understand customers' needs to offer the best suitable products and service levels to make your Company the first choice.

## MATERIAL CHANGES

No material changes and commitments affecting the financial position of the company were observed between the end of financial year of the company to which the financial statements relate and the date of the report.

## RISK AND UNCERTAINTIES

The company is exposed to the following risks and uncertainties:

- Increased competition among the mills due to lesser availability of sugarcane crop in the area
- Higher prices of Sugarcane and Packing material
- Market disruption due to change in Govt. policies regarding Sale of Sugar
- Foreign currency fluctuation
- Higher SBP Policy rates

## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company has fully complied with requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. A Statement of Compliance is provided under the relevant section of the report.

### Following are the Statements on Corporate and Financial Reporting Framework:

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- Statement of Shareholding pattern along with categories of shareholding of the company is annexed in the report.
- There is nothing outstanding against your Company on account of taxes, duties, levies and charges except for those which are being made in normal course of business.

## Board of Directors

The total number of Directors on the Board is 7 and its composition is as follows:

- Male Directors 5
- Female Directors 2



| Category                | Names   |
|-------------------------|---|
| Independent Directors   | Mr. Farid-ud-Din Ahmad<br>Mr. Malik Manzoor Hussain Humayoon              |
| Executive Directors     | Mr. Adnan Ahmed Khan (CEO)<br>Mr. Muhammad Shamim Khan                    |
| Non-Executive Directors | Mrs. Qaiser Shamim Khan<br>Mr. Nauman Ahmed Khan<br>Mrs. Sarah Hajra Khan |

During the year 4 Board meetings were held. The minutes of the meetings were appropriately recorded and circulated. Attendance of such meetings was as under:

| Name of Directors                  | Designation          | No. of Meeting Attended |
|------------------------------------|----------------------|-------------------------|
| Mrs. Qaiser Shamim Khan            | Chair Person         | 4                       |
| Mr. Adnan Ahmed Khan               | Chief Executive      | 4                       |
| Mr. Muhammad Shamim Khan           | Director             | 4                       |
| Mr. Nauman Ahmed Khan              | Director             | 4                       |
| Mrs. Sarah Hajra Khan              | Director             | 3                       |
| Mr. Farid Ud Din Ahmed             | Independent Director | 2                       |
| Mr. Malik Manzoor Hussain Humayoon | Independent Director | 4                       |

The Board has formed committees comprising of members given below:

### Audit Committee

The Board has constituted an Audit Committee consisting of three members including Chairman of the Committee as mentioned below. The committee regularly meets as per requirement of the code. The committee assists the Board in reviewing internal audit manual and internal audit system.

- i) Mr. Farid-ud-Din Ahmad (Chairman of the Audit Committee); and
- ii) Mr. Malik Manzoor Hussain Humayoon
- iii) Mrs. Sarah Hajra Khan;

### HR and Remuneration Committee

The Board has constituted a Human Resource Committee consisting of three members including Chairman of the committee as mentioned below, in compliance with the Code of Corporate Governance.

- i) Mr. Farid-ud-Din Ahmad (Chairman of the HRR Committee); and
- ii) Mr. Malik Manzoor Hussain Humayoon.
- iii) Mr. Adnan Ahmed Khan;

### Nomination Committee

The Board has constituted a Nomination Committee consisting of two members including Chairman of the committee as mentioned below, in compliance with the Code of Corporate Governance.

- i) Mr. Malik Manzoor Hussain Humayoon.  
(Chairman)
- ii) Mr. Farid-ud-Din Ahmad

### Risk Management Committee

The Board has constituted a Risk Management Committee consisting of two members including Chairman of the committee in compliance with the Code of Corporate Governance.

- i) Mr. Malik Manzoor Hussain Humayoon.  
(Chairman)
- ii) Mr. Farid-ud-Din Ahmad

### Adequacy of Internal Financial Controls

The Directors are aware of their responsibility with respect to internal financial controls. Through discussions with management and Auditors (both internal and external), they confirm that adequate controls have been implemented by the Company.

### RELATED PARTIES TRANSACTIONS

In accordance with the relevant regulations, your Company has devised a Related Party Transactions

Policy approved by the Board of Directors which governs how arm's length and non-arm's length transactions are dealt with. All related party transactions carried out during the year are disclosed in the financial statements.

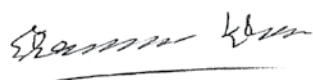
### AUDITORS

The present Auditors M/s BDO Ebrahim & Company, Chartered Accountants, are the retiring auditors of the Company and have offered their services for re-appointment. They confirmed that they have been given a satisfactory rating under the Quality Control Review Program of The Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by ICAP. On the recommendation of the Board's Audit Committee, the Board of Directors proposed their re-appointment by the shareholders at the ensuing Annual General Meeting, as auditors of the Company for the year ending September 30, 2023, at a fee to be mutually agreed upon.

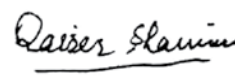
### ACKNOWLEDGMENT

The Directors wish to acknowledge the devotion of the employees and are appreciative of their dedication and commitment. They also extend heartfelt appreciation to the Company's suppliers, customers, and bankers for their continued confidence and support

For and on behalf of Board  
Baba Farid Sugar Mills Limited



Mr. Muhammad Shamim Khan  
Director



Mrs. Qaiser Shamim Khan  
Chairperson

Lahore: 27th December, 2022

# ڈائریکٹرز کی ممبران کو رپورٹ

بورڈ آف ڈائریکٹرز (BOD) کی جانب سے، مجھے 30 ستمبر 2022 کو ختم ہونے والے مالی سال کے لئے بابا فرید شوگر ملز لمیٹڈ (BFSML) کی سالانہ رپورٹ معائنہ پر نظر ثانی شدہ حسابات اور آڈیٹر کی رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

## انڈسٹری کا جائزہ

گئے کا شمار پاکستان کی سب سے بڑی فصلوں میں ہوتا ہے۔ ملک میں ٹیکسٹائل کے بعد چینی دوسری سب سے بڑی زرعی صنعت ہے۔ اس کی پیداوار زراعت کے ویلویو ایڈیشن میں 3.7 فیصد اور جی ڈی پی میں 0.8 فیصد ہے۔ 2021-22 کے دوران 1,260 ہزار ہیکٹر رقبے پر گنے کی کاشت کی گئی اور پچھلے سال کے 1,165 ہزار ہیکٹر رقبے کے مقابلے میں 8.2 فیصد اضافہ ریکارڈ کیا گیا۔ 2021-22 کے دوران گنے کی بھر فصل کی پیداوار 88,651 ملین ٹن ریکارڈ کی گئی، جو گزشتہ سال (81,009 ملین ٹن) کے مقابلے میں 9.4 فیصد زیادہ ہے۔ پاکستان کے اقتصادی سروے کے مطابق گنے کی خریداری کی بہتر قیمت نے کاشتکاروں کو گنے کے لیے زیادہ رقبہ وقف کرنے کی ترغیب دی اور موسم کی موافقت، بہتر انتظامات اور معیاری ان پٹس کی بروقت دستیابی نے فصل کی پیداوار کو بہتر بنایا۔

حالیہ کرشنگ سیزن 2021-22 کیلئے گنے کی امدادی قیمت خرید پنجاب کے لئے -200 روپے فی من سے بڑھا کر -225 روپے فی من مقرر کی گئی، جبکہ قیمت جنگ نے پورے کرشنگ سیزن میں قیمتوں کو مزید بڑھا دیا۔ گنے کی اوسط قیمت خرید امدادی قیمت سے زیادہ رہی ہے۔

کرشنگ سیزن کے جلد آغاز کی وجہ سے مجموعی شوگر ریکوری تقابلی کم رہی۔ تاہم، چینی کی قیمتیں بھی ملک میں طلب کے برعکس ریٹائنڈ چینی کی اضافی پیداوار کی وجہ سے کم رہی ہیں۔

## کمپنی کی کارکردگی

کمپنی کی چینی کی پیداوار میں واضح بہتری یعنی 30.18 فیصد اضافہ بنیادی طور پر انتظامیہ اور عملہ کی کوششوں، بہتر پیداواری صلاحیت، کاشتکاروں اور دیگر اسٹیک ہولڈرز کے ساتھ بہتر تعلقات اور انتظامیہ کے تجربے کی بدولت ممکن ہوئی۔ کمپنی کی آپریٹنگ اور مالیاتی کارکردگی بھی ذیل میں بیان کی گئی ہے۔

## آپریٹنگ کارکردگی

گزشتہ سال کے مقابلے مالی سال 2021-22 کے لئے کمپنی کی آپریٹنگ کارکردگی کا خلاصہ ذیل ہے:

| تفصیل                        | 2021-22 | 2020-21 |
|------------------------------|---------|---------|
| گنے کی کرشنگ (میٹرک ٹن)      | 604,762 | 457,225 |
| چینی کی پیداوار (میٹرک ٹن)   | 54,027  | 41,502  |
| چینی کی ریکوری (فیصد)        | 8.936   | 9.072   |
| مولاسس کی پیداوار (میٹرک ٹن) | 27,815  | 21,415  |
| پلانٹ کے آپریشن ایام         | 132     | 116     |

## مالی کارکردگی

گزشتہ سال کے مقابلے مالی سال 2021-22 کے لئے کمپنی کی مالی کارکردگی کا خلاصہ ذیل ہے:

| تفصیل                        | 2021-22 (روپے ملین میں) | 2020-21 (روپے ملین میں) |
|------------------------------|-------------------------|-------------------------|
| خالص فروخت                   | 3,938,712               | 3,864,161               |
| لاگت فروخت                   | (3,990,959)             | (3,613,466)             |
| مجموعی (نقصان)/منافع         | (52,247)                | 250,695                 |
| دیگر آمدنی                   | 321,182                 | 138,316                 |
| دیگر اخراجات اور ٹیکسز       | (511,232)               | (266,792)               |
| خالص (نقصان)/منافع           | (242,297)               | 122,219                 |
| (نقصان)/آمدنی فی شیئر (روپے) | (25.64)                 | 12.93                   |
| مجموعی (نقصان)/منافع تناسب   | (0.01)                  | 0.06                    |
| P/E تناسب                    | (1.48)                  | 4.07                    |
| مارکیٹ قیمت فی شیئر          | 37.90                   | 52.63                   |

## فی شیئر (نقصان) آمدنی

زیر جائزہ سال کے لئے کمپنی کا فی شیئر نقصان 25.64 روپے (2021: 12.93 روپے فی شیئر آمدنی) رہا ہے۔

## خطرے کی تخفیف

بورڈ آف ڈائریکٹرز، بورڈ کی آڈٹ کمیٹی، اور چیف ایگزیکٹو آفیسر کی قیادت میں سینئر مینجمنٹ ٹیم پر مشتمل اسٹیرنگ کمیٹی کمپنی کے آپریشنز کی نگرانی اور بڑے خطرات کے کسی بھی ممکنہ منفی اثرات کو کم کرنے کے لیے فعال حکمت عملی تیار کرنے کی ذمہ دار ہے۔

## سرمایہ مینجمنٹ

کمپنی کی پالیسی سرمایہ کاروں، قرض دہندگان، اور مارکیٹ کے اعتماد کو برقرار رکھنے کے لیے ایک مضبوط سرمائے کی بنیاد کو برقرار رکھنا ہے اور ایک جاری تشویش کے طور پر جاری رہنے کی اپنی صلاحیت کی حفاظت کرنا ہے۔ کمپنی اپنے سرمائے کو ڈھانچے کا انتظام کرتی ہے اور معاشی تبدیلیوں اور اس کے اثاثہ کی بنیاد کی حفاظت سے وابستہ خطرات کے ساتھ آگے بڑھنے کے لیے مناسب ایڈجسٹمنٹ کرتی ہے۔ آپ کی کمپنی کی انتظامیہ مناسب قرض کی یو بی ٹی تناسب اور طویل اور مختصر مدت کے قرضوں کے بہترین مرکب کو برقرار رکھنے پر یقین رکھتی ہے۔

## تحقیق و ترقی

زرعی تحقیق و ترقی کمپنی کی پالیسی کا ایک لازمی حصہ ہے جس میں بہترین زرعی طریقوں کے ساتھ ترقی پسند کاشتکاروں کے ذریعے گئے مختلف اورغنی اقسام کی شناخت اور اس کے بعد تجارتی بنانے پر ان کی کاشت شامل ہے۔ یہ نہ صرف گنے کی فی ایکڑ پیداوار بڑھاتی ہے بلکہ کاشتکاروں کی آمدنی میں اضافہ اور مسابقتی فصلوں کے مقابلے میں گنے کی بوائی کے لئے زیادہ شوق پیدا کرتی ہے۔ یہ کمپنی کو گنے کی سپلائی، مجموعی طور پر شوگر کی ریکوری کو بڑھاتی ہے اور براہ راست کمپنی کے منافع کو بہتر بناتی ہے۔ کمپنی نے اپنی نموی رفتار کو مستحکم رکھنے کے لئے گنے کے بیج، اور انرجی کراپس کی ڈیولپمنٹ، پروڈکشن ٹیکنالوجیز اور مشینری کی بہتری پر توجہ مرکوز رکھتے ہوئے تحقیق و ترقی کے اقدامات میں سرمایہ کاری کی ہے۔

## ہومن ریسورس ڈیولپمنٹ اور ملازمین کے تعلقات

انسانی وسائل کمپنی کی پائیداری کو برقرار رکھنے کے لیے آپ کی کمپنی کا سب سے اہم اثاثہ ہیں کیونکہ یہ علم، ہنر اور قابلیت کا ذریعہ ہیں۔ انسانی وسائل کے وژن کا تعین کمپنی کی انتظامیہ کی طرف سے بیان کردہ بنیادی قدر کی بناء پر کیا گیا ہے۔ آپ کی کمپنی کو یقین ہے کہ مسابقتی انسانی وسائل کا مؤثر استعمال ایک بدلے کاروباری ماحول میں زندہ رہنے اور پائیدار ترقی حاصل کرنے کے لیے سب سے اہم ہے۔ آپ کی کمپنی ہموار کارروائیوں کے لیے اپنے انسانی وسائل کی مسلسل ترقی کو انتہائی اہمیت دیتی ہے۔ کمپنی انسانی وسائل کی مؤثر ترقی کو فروغ دینے کے لیے ماہرین کے ذریعے ان جاب ٹریننگ اور بہتر مہارت کے پروگراموں کا استعمال کرتی ہے۔ انتظامیہ اور ملازمین کے درمیان خوشگوار تعلقات اتنے ہی اچھے ہیں جتنے پچھلے کئی سالوں سے تھے۔ خوشگوار تعلقات ہمارے ملازمین کی ٹرین اور شرح ہمارے سیکلر یا دوسرے شعبوں کے مقابلے میں، جو بہت کم ہے، سے بھی ظاہر ہوتے ہیں۔

## کاشتکاروں کے ساتھ تعلقات

کمپنی کسان برادری کے ساتھ خوشگوار تعلقات سے لطف اندوز ہوتی ہے کیونکہ وہ کاشتکاروں کو اپنی بڑھتی ہوئی بڈی سمجھتی ہے۔ تعلقات کو برقرار رکھنے اور مزید تقویت دینے کے لئے، کمپنی اچھے اصولوں کو ترجیح دیتی ہے اور کوشش کرتی ہے کہ: - کاشتکاروں کو گنے کی بروقت ادائیگی کی پالیسی پر مستقل طور پر عمل کرے۔ - کسانوں کی مالی ضروریات کو اپنے ذرائع سے مالی مدد فراہم کر کے پورا کرے۔ زیر جائزہ مدت کے دوران، بیج، کھاد اور کیڑے ماردارواؤں کی شکل میں کاشتکاروں کو خطیر رقم زرعی قرضے کی مدد میں فراہم کی گئی ہے۔ - مختلف توسیعی اور مشاورتی پروگراموں کے ذریعے تکنیکی مہارتوں کو بڑھائے۔ - گنے کی بہتر کٹائی اور بہتر پیداوار کی اقسام فراہم کرے جس کے نتیجے میں گنے کی فی ایکڑ پیداوار اور وچنی کی ریکوری میں اضافہ ہو۔

## مستقبل کا نقطہ نظر اور گینگ کنسرن مفروضہ

کرٹک سیزن 2022-23 شروع ہو چکا ہے اور توقع ہے کہ شوگر انڈسٹری کے لیے زیادہ چیلنجنگ ہوگا۔ حکومت پنجاب نے گنے کی قیمت -/300 روپے فی 40 کلوگرام مقرر کی ہے۔ زیادہ رقبہ کی وجہ سے کمپنی کے خریداری کے علاقے میں گنے کی صورتحال قدرے بہتر ہوئی ہے اور کئی گز شیشہ سال کے مقابلے میں اچھی بحالی کا بھی مشاہدہ کر رہی ہے۔ اگرچہ سندھ اور کے پی کے میں شدید سیلاب نے ملک کی بیشتر فصلوں کو متاثر کیا ہے تاہم گنے کی فصل اپنی نوعیت کی وجہ سے ملک میں سب سے کم متاثر ہونے والی فصلوں میں سے ایک رہی ہے۔ فصل کی موجودہ حالت کو مد نظر رکھتے ہوئے، گنے کی امدادی قیمت، اور وچنی کی کم قیمتیں منافع کی راہ میں بڑی رکاوٹیں ہوں گی۔ حکومت کو اس بات کو یقینی بنانا چاہیے کہ وچنی کی قیمت گنے کی قیمت اور موجودہ مہنگائی کے مطابق دیگر اخراجات کی عکاسی کرے تاکہ صنعت کے لیے سازگار کاروباری ماحول پیدا کیا جاسکے اور ساتھ ہی کسانوں کو بہتر پیداوار دینے والے بیج فراہم کر کے زراعت کو فروغ دینے اور بحالی کے لیے پالیسیاں تیار کی جائیں۔

آگے بڑھتے ہوئے کمپنی سے آپریشنل طور پر بہتر کارکردگی کی توقع ہے لیکن آمدنی کا تعین کرنے کے لیے بیرونی ماحول بہت اہم ہے۔ گنے کی زیادہ قیمتیں، بلند ترین شرح سود اور مہنگائی کا دباؤ منافع کو بری طرح متاثر کر سکتا ہے، جبکہ وچنی کے منافع کو بری طرح متاثر کر سکتا ہے جب تک کہ حکومت ملک میں وچنی کے اضافی ذخیرہ کے لیے وچنی کی برآمد کی اجازت نہیں دیتی۔ توقع کی جاتی ہے کہ ملک کی معیشت کم شرح سے ترقی کرے گی، زیادہ شرح سود اور روپیہ پر دیگر کرنسیوں کے مقابلے پر مسلسل دباؤ رہنے کی توقع ہے۔ اس کے ساتھ ساتھ انتخابی سال کی وجہ سے سیاسی اہتمام غالب آنے کی بھی توقع ہے۔

تاہم، امید کی جاتی ہے کہ کمپنی اپنے کاموں میں مزید بہتری لائے گی اور یہ بنیادی طور پر پیشہ ورانہ انتظامیہ اور اس کی ٹیم کے بہتر انتظامات اور عزم کی وجہ سے ہے۔ امید ہے کہ یہ اجزاء کمپنی کو مجموعی طور پر بحال کر سکیں گے۔ یہ مالی گوشوارے کمپنی کو مالی اور آپریشنل مدد فراہم کرنے کے لئے اسپانسرز کی وابستگی کی بنیاد پر ایک جاری تشویش کی بنیاد پر تیار کیے گئے ہیں۔ انتظامیہ کو جاری تشویش کے بطور کمپنی کے جاری رہنے کی صلاحیت کے بارے میں کوئی شہینہ نہیں ہے۔

## کارپوریٹ سماجی ذمہ داری

کمپنی نے ہمیشہ معاشرے میں اپنا مناسب کردار ادا کرنے اور پاکستان کے لوگوں اور ماحول کی خاطر اپنی ذمہ داری پوری کرنے کی کوشش کی ہے۔ اپنی سماجی ذمہ داری کی پالیسیوں کے مطابق، کمپنی نے مینوفیکچرنگ پلانٹ اور ارد گرد کے علاقوں میں رہنے والے لوگوں کے مجموعی حالات کو بہتر بنانے کی کوشش کی ہے۔

## حفاظت، صحت اور ماحولیات

آپ کی کمپنی نے ملازمین کی صحت اور حفاظت سے متعلق پروٹوکول پر سختی سے عمل درآمد کیا ہے۔ اس سلسلہ میں، کمپنی قابل اطلاق قوانین اور ضوابط کی پیروی کرتی ہے۔ تمام عملے کو ذاتی تحفظ کا سامان فراہم کیا جاتا ہے اور کمپنی کی جانب سے ملازمین کی فلاح و بہبود اور کاروبار کے تسلسل کو یقینی بنانے کے لیے سماجی دوری کے اقدامات، رابطے کا پتہ لگانے، رینڈم ٹیسٹنگ وغیرہ جیسے اقدامات متعارف کرائے گئے۔ بافارید شوگر ملز لمیٹڈ (BFSML) کی انتظامیہ اس بات پر یقین رکھتی ہے کہ ماحول کا تحفظ ہر فرد کی بقا کے لیے ضروری ہے اور اس لیے کمپنی اپنے ملازمین اور بڑے پیمانے پر معاشرے کو صحت مند ماحول فراہم کرنے کو انتہائی اہمیت دیتی ہے۔ آپ کی کمپنی اپنی سماجی ذمہ داری کا شعور رکھتی ہے اور انتظامیہ نے آلودگی سے پاک ماحول کے حصول کے لیے مناسب اقدامات کیے ہیں۔

## صارفین پر توجہ

کمپنی کا خیال ہے کہ اس کے قابل قدر صارفین اس کی کاروباری کامیابی کی بنیاد ہیں۔ کمپنی کی پالیسیوں اور کاروباری فیصلہ سازی میں صارف کو مرکزی اہمیت حاصل ہے۔ کمپنی ایک طویل مدتی حکمت عملی پر عمل پیرا ہے جو وفاداری کو فروغ اور اعتماد پیدا کرتی ہے۔ مارکیٹ اور صارفین کے ساتھ قریبی رابطے نے ہمیشہ آپ کی کمپنی کو اس قابل بنایا ہے کہ وہ صارفین کی ضروریات کو بہتر طریقے سے سمجھ سکے اور موزوں مصنوعات اور خدمات کی بنیاد پر کمپنی کو اولین ترجیح دے۔

## مادی تبدیلیاں

کمپنی کے مالیاتی سال کے اختتام اور رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حالت کو متاثر کرنے والی کوئی مادی تبدیلیاں اور وعدے نہیں دیکھے گئے جو مالی گوشواروں اور رپورٹ کی تاریخ سے متعلق ہوں۔

## خطرات اور غیر یقینی صورتحال

کمپنی کو درج ذیل خطرات اور غیر یقینی صورتحال کا سامنا ہے:

- علاقہ میں گئے کی فصل کی کم دستیابی کی وجہ سے ملوں کے درمیان مسابقت میں اضافہ
- گئے اور پیکنگ میٹرل کی زیادہ قیمتیں
- چینی کی فروخت سے متعلق حکومتی پالیسیوں میں تبدیلی کی وجہ سے مارکیٹ میں غلغلہ
- غیر ملکی کرنسی میں اتار چڑھاؤ
- SBP کی پالیسی شرح سود میں اضافہ

## کوڈ آف کارپوریٹ گورننس کی تعمیل کا بیان

کمپنی نے فہرستی کمپنیز (کارپوریٹ گورننس کا ضابطہ) ریگولیشنز، 2019 کے تقاضوں پر مکمل طور پر عمل کیا ہے۔ تعمیل کا بیان رپورٹ کی متعلقہ سیکشن کے تحت فراہم کیا گیا ہے:

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کے بیان مندرجہ ذیل ہیں:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات کمپنی کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے اور ان سے کسی مادی انحراف کا انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول کا نظام صنعت کی ضروریات اور جدید انتظامی اصولوں کے مطابق ڈیزائن ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے گونگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- کارپوریٹ گورننس کے بہترین عوامل سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- گزشتہ چھ سال کا گلیڈی آپریٹنگ اور مالیاتی ڈیٹا رپورٹ ہذا سے منسلک ہے۔
- نمونہ حصص داری کا بیان کمپنی کے شیئر ہولڈنگ کی کیلنگریز رپورٹ میں لف ہے۔
- ٹیکسز، ڈیویڈنڈ، لیویز اور چارجز کی مد میں آپ کی کمپنی کے خلاف کوئی بقایا جات نہیں ہیں جو معمول کے کاروبار میں کی جارہی ہیں۔



## بورڈ آف ڈائریکٹرز

بورڈ پر ڈائریکٹرز کی کل تعداد 7 ہے اور اس کی تشکیل حسب ذیل کے مطابق ہے:

- مرد ڈائریکٹرز 5
- خاتون ڈائریکٹرز 2

| نام  | کیٹگری                 |
|--|------------------------|
| جناب فرید الدین احمد<br>جناب ملک منظور حسین ہمایوں                   | آزاد ڈائریکٹرز         |
| جناب عدنان احمد خان (سی ای او)<br>جناب محمد شمیم خان                 | ایگزیکٹو ڈائریکٹرز     |
| محترمہ قصیر شمیم خان<br>جناب نعمان احمد خان<br>محترمہ سارہ ہاجرہ خان | نان ایگزیکٹو ڈائریکٹرز |

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہوئے۔ اجلاس کی کارروائیاں موزوں طریقہ سے ریکارڈ اور ترسیل کی گئی۔ بورڈ کے اجلاسوں میں ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے۔

| نام ڈائریکٹرز              | عہدہ          | تعداد حاضری |
|----------------------------|---------------|-------------|
| محترمہ قصیر شمیم خان       | چیئر پرسن     | 4           |
| جناب عدنان احمد خان        | چیف ایگزیکٹو  | 4           |
| جناب محمد شمیم خان         | ڈائریکٹر      | 4           |
| جناب نعمان احمد خان        | ڈائریکٹر      | 4           |
| محترمہ سارہ ہاجرہ خان      | ڈائریکٹر      | 3           |
| جناب فرید الدین احمد       | آزاد ڈائریکٹر | 2           |
| جناب ملک منظور حسین ہمایوں | آزاد ڈائریکٹر | 4           |

بورڈ نے حسب ذیل ارکان پر مشتمل کمیٹیاں تشکیل دی ہیں۔

## آڈٹ کمیٹی

بورڈ نے مندرجہ ذیل کے مطابق کمیٹی کے چیئرمین سمیت تین ارکان پر مشتمل آڈٹ کمیٹی تشکیل دی ہے۔ کمیٹی باقاعدگی سے ضابطہ کے تقاضوں کو پورا کرتی ہے۔ کمیٹی انٹرنل آڈٹ مینیجر اور انٹرنل آڈٹ سسٹم کے جائزہ میں بورڈ کی مدد کرتی ہے۔

- (i) جناب فرید الدین احمد (چیئرمین آڈٹ کمیٹی) اور
- (ii) جناب ملک منظور حسین ہمایوں
- (iii) محترمہ سارہ ہاجرہ خان

## ایچ آر اینڈ ریمزیشن کمیٹی

بورڈ نے کوڈ آف کارپوریٹ گورننس کی تعمیل میں، مندرجہ ذیل کے مطابق کمیٹی کے چیئرمین سمیت تین ارکان پر مشتمل ہیومن ریسورس کمیٹی تشکیل دی ہے۔

- (i) جناب فرید الدین احمد (چیئرمین HRR کمیٹی) اور
- (ii) جناب ملک منظور حسین ہمایوں
- (iii) جناب عدنان احمد خان

## نامینیشن کمیٹی

بورڈ نے کوڈ آف کارپوریٹ گورننس کی تعمیل میں، مندرجہ ذیل کے مطابق کمیٹی کے چیئرمین سمیت دو ارکان پر مشتمل نامینیشن کمیٹی تشکیل دی ہے۔

- (i) جناب ملک منظور حسین ہمایوں (چیئرمین)
- (ii) جناب فرید الدین احمد

## رسک مینجمنٹ کمیٹی

بورڈ نے کوڈ آف کارپوریٹ گورننس کی تعمیل میں، مندرجہ ذیل کے مطابق کمیٹی کے چیئر مین سمیت دو ارکان پر مشتمل رسک مینجمنٹ کمیٹی تشکیل دی ہے۔

• (i) جناب ملک منظور حسین ہمایوں (چیئر مین)

• (ii) جناب فرید الدین احمد

## مناسب داخلی مالیاتی کنٹرول

ڈائریکٹر داخلی مالیاتی کنٹرول کی بابت اپنی ذمہ داری سے بخوبی آگاہ ہیں۔ انتظامیہ اور آڈیٹرز (داخلی اور بیرونی دونوں) کے ساتھ مشاورت کے ذریعے، وہ توثیق کرتے ہیں کہ کمیٹی کی طرف سے مناسب کنٹرول نافذ کیا گیا ہے۔

## متعلقہ پارٹی لین دین

متعلقہ پارٹیوں کے ساتھ تمام لین دین قابل رسائی قیمتوں پر کیا گیا اور جس کا کمیٹی کے مالی حسابات میں مناسب طریقہ سے انکشاف کیا گیا ہے۔

## آڈیٹرز

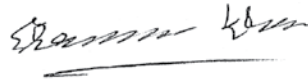
موجودہ آڈیٹرز میسرز BDO ابراہیم اینڈ کمپنی (چارٹرڈ اکاؤنٹنٹس) ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر، دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔ وہ تصدیق کرتے ہیں کہ انہیں دی انٹرنیٹ ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوائف کنٹرول ریپورٹ پر پروگرام کے تحت ایک تسلی بخش درجہ بندی دی گئی ہے اور یہ فرم انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے ضابطہ اخلاق سے متعلق رہنما اصولوں کی مکمل تعمیل کرتی ہے، جیسا کہ ICAP کی طرف سے اپنایا گیا ہے۔ بورڈ کی آڈٹ کمیٹی کی سفارش پر، بورڈ آف ڈائریکٹرز نے 30 ستمبر 2023 کو ختم ہونے والے سال کے لیے کمیٹی کے آڈیٹرز کے طور پر آئندہ سالانہ اجلاس عام میں شیئر ہولڈرز کی جانب سے باہمی رضامندی کی فیس پر ان کی دوبارہ تقرری کی تجویز پیش کی ہے۔

## اظہار تشکر

ڈائریکٹر ملازمتیں کی لگن کو سراہتے اور ان کی لگن اور عزم کی قدر کرتے ہیں۔ وہ کمیٹی کے فرائم کنڈنگان، صارفین، اور بینکرز کی ان کے مسلسل اعتماد اور تعاون کے لیے بھی دل کی گہرائیوں سے سراہتے ہیں۔

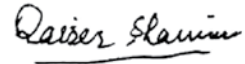
## منجانب بورڈ

بابا فرید شوگر ملز لمیٹڈ



محمد شمیم خان

ڈائریکٹر



محترمہ قیصر شمیم خان

چیئر پرسن

لاہور: 27 دسمبر 2022ء

# SIX YEARS SUMMARY OF FINANCIAL HIGHLIGHTS

## OPERATING PERFORMANCE:

|                                    |           | 2022        | 2021        | 2020        | 2019       | 2018        | 2017        |
|------------------------------------|-----------|-------------|-------------|-------------|------------|-------------|-------------|
| <b>Sugar Production:</b>           |           |             |             |             |            |             |             |
| Cane crushed                       | (M.Tons)  | 604,762.396 | 457,224.825 | 290,029.359 | 26,976.308 | 208,593.731 | 393,034.570 |
| Average sucrose recovery           | (%)       | 8.936       | 9.072       | 8.70        | 5.58       | 8.77        | 9.11        |
| Sugar produced                     | (M.Tons)  | 54,026.500  | 41,501.500  | 25,159.000  | 1,935.600  | 18,261.900  | 35,496.500  |
| Operating period                   | Days      | 132         | 116         | 115         | 22         | 93          | 128         |
| <b>Operating results:</b>          |           |             |             |             |            |             |             |
| Sales                              | (000'Rs.) | 3,938,712   | 3,864,161   | 1,783,548   | 121,607    | 1,381,821   | 1,932,149   |
| Cost of sales                      | (000'Rs.) | (3,990,959) | 3,613,466   | 1,754,710   | 478,699    | 1,545,650   | 1,737,483   |
| Gross profit/ (Loss)               | (000'Rs.) | (52,247)    | 250,695     | 28,838      | (357,092)  | (163,829)   | 194,666     |
| Gross Loss/ Profit to Net Sales    | (%)       | (0.01)      | 0.06        | 0.02        | (2.94)     | (0.12)      | 0.10        |
| Net (Loss)/ Profit before Taxation | (000'Rs.) | (167,659)   | 166,421     | (276,941)   | (627,625)  | (378,293)   | 23,957      |
| Net (Loss)/ Profit after Taxation  | (000'Rs.) | (242,297)   | 122,219     | (286,079)   | (682,625)  | (374,066)   | 29,538      |
| Net (Loss)/ Profit to Net Sales    | (%)       | (0.062)     | 0.03        | (0.16)      | (5.61)     | (0.27)      | 0.02        |
| <b>Shareholders' Equity:</b>       |           |             |             |             |            |             |             |
| Paid up capital                    | (000'Rs.) | 94,500      | 94,500      | 94,500      | 94,500     | 94,500      | 94,500      |
| Reserves & surplus                 | (000'Rs.) | 2,677,253   | 1,698,942   | 1,256,871   | 771,630    | 235,256     | 599,079     |
| Shareholders' equity               | (000'Rs.) | 2,771,753   | 1,793,442   | 1,351,371   | 866,130    | 329,756     | 693,579     |
| Break-up value per share           | Rupees    | 29.33       | 18.98       | 14.30       | 9.17       | 3.49        | 7.34        |
| (Loss)/ Earnings per share         | Rupees    | (25.64)     | 12.93       | (30.27)     | (72.24)    | (39.58)     | 3.13        |
| P/E Ratio                          | Rupees    | (1.48)      | 4.07        | (1.21)      | (0.68)     | (0.96)      | 14.36       |
| Market Price Per Share             | Rupees    | 37.90       | 52.63       | 36.57       | 49.25      | 38.00       | 44.88       |
| <b>Financial position:</b>         |           |             |             |             |            |             |             |
| Current assets                     | (000'Rs.) | 1,151,069   | 536,024     | 897,653     | 296,437    | 805,554     | 965,169     |
| Fixed capital expenditure          | (000'Rs.) | 3,569,816   | 2,943,193   | 2,830,740   | 2,822,993  | 2,495,993   | 2,518,371   |
| Total assets                       | (000'Rs.) | 4,722,747   | 3,480,553   | 3,728,568   | 3,119,430  | 3,302,135   | 3,484,127   |
| Current liabilities                | (000'Rs.) | 1,202,357   | 1,003,023   | 1,100,007   | 900,442    | 2,084,145   | 1,777,059   |
| Long term debts                    | (000'Rs.) | 327,985     | 306,792     | 901,016     | 965,960    | 600,000     | 700,000     |
| Total liabilities                  | (000'Rs.) | 1,950,994   | 1,687,111   | 2,377,197   | 2,253,300  | 2,972,379   | 2,790,548   |
| Current ratio                      | (%)       | 0.96        | 0.53        | 0.82        | 0.33       | 0.39        | 0.54        |
| Debt equity ratio                  | (%)       | 0.70        | 0.94        | 1.76        | 2.60       | 9.01        | 4.02        |

# FORM-34

## THE COMPANIES ACT, 2017

(SECTION 227(2)(F))

### PATTERN OF SHAREHOLDING

1. Incorporation Number **0006535**

2. Name of the Company **BABA FARID SUGAR MILLS LIMITED**

2.1 Pattern of holding of the shares held by the shareholders as at **30/09/2022**

| 2.2 Number of Shareholders | Shareholdings |           | Total Shares Held |
|----------------------------|---------------|-----------|-------------------|
|                            | From          | To        |                   |
| 623                        | 1             | 100       | 15,512            |
| 381                        | 101           | 500       | 71,377            |
| 34                         | 501           | 1,000     | 26,473            |
| 38                         | 1,001         | 5,000     | 93,921            |
| 2                          | 5,001         | 10,000    | 12,662            |
| 1                          | 10,001        | 15,000    | 10,500            |
| 1                          | 35,001        | 40,000    | 37,668            |
| 3                          | 910,001       | 915,000   | 2,734,635         |
| 2                          | 975,001       | 980,000   | 1,956,942         |
| 1                          | 1,115,001     | 1,120,000 | 1,115,049         |
| 1                          | 1,640,001     | 1,645,000 | 1,640,784         |
| 1                          | 1,730,001     | 1,735,000 | 1,734,477         |
| 1,088                      |               |           | 9,450,000         |

| 2.3 Categories of shareholders  | Shares Held | Percentage |
|---|-------------|------------|
| 2.3.1 Directors, Chief Executive Officer, and their spouse and minor children       | 9,183,987   | 97.1850%   |
| 2.3.2 Associated Companies, undertakings and related parties. (Parent Company)      | 0           | 0.0000%    |
| 2.3.3 NIT and ICP   | 1,000       | 0.0106%    |
| 2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions. | 100         | 0.0011%    |
| 2.3.5 Insurance Companies   | 0           | 0.0000%    |
| 2.3.6 Modarabas and Mutual Funds  | 0           | 0.0000%    |
| 2.3.7 Shareholders holding 10% or more  | 9,181,887   | 97.1628%   |
| 2.3.8 General Public  |             |            |
| a. Local  | 250,232     | 2.6480%    |
| b. Foreign  | 0           | 0.0000%    |
| 2.3.9 Others (to be specified)<br>- Joint Stock Companies                           | 14,681      | 0.1554%    |

# CATEGORIES OF SHARE HOLDERS

As on 30th September 2022

| S. No.  | NAME   | HOLDING          | %AGE            |
|---|--|------------------|-----------------|
| <b><u>DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN</u></b>                                      |  |                  |                 |
| 1   | MR. MUHAMAMD SHAMIM KHAN (CDC)                   | 1,640,784        | 17.3628         |
|   | MR. MUHAMAMD SHAMIM KHAN                         | 1,115,049        | 11.7995         |
| 2   | MRS. QAISER SHAMIM KHAN (CDC)                    | 911,545          | 9.6460          |
|   | MRS. QAISER SHAMIM KHAN                          | 1,734,477        | 18.3543         |
| 3   | MR. ADNAN AHMED KHAN (CDC)                       | 911,545          | 9.6460          |
|   | MR. ADNAN AHMED KHAN                             | 978,471          | 10.3542         |
| 4   | MR. NAUMAN AHMED KHAN (CDC)                      | 911,545          | 9.6460          |
|   | MR. NAUMAN AHMED KHAN                            | 978,471          | 10.3542         |
| 5   | MALIK MANZOOR HUSSAIN HUMAYUN                    | 1,600            | 0.0169          |
| 6   | MR. FARID UL DIN AHMED                           | 200              | 0.0021          |
| 7   | MRS. SARAH HAJRAH KHAN                           | 300              | 0.0032          |
|   |  | 9,183,987        | 97.1850         |
| <b><u>ASSOCIATED COMPANIES</u></b>  |  |                  |                 |
|   |  | 0                | 0.0000          |
| <b><u>NIT &amp; ICP</u></b>   |  |                  |                 |
| 1   | M/S INVESTMENT CORPORATION OF PAKISTAN           | 1,000            | 0.0106          |
|   |  | 1,000            | 0.0106          |
| <b><u>BANKS, DEVELOPMENTS, FINANCIAL INSTITUTIONS,<br/>NON BANKING FINANCIAL INSTITUTIONS</u></b> |  |                  |                 |
| 1   | M/S FIDELITY INVESTMENT BANK LTD.                | 100              | 0.0011          |
|   |  | 100              | 0.0011          |
| <b><u>JOINT STOCK COMPANIES</u></b>   |  |                  |                 |
| 1   | SALIM SOZER SECURITIES (PRIVATE) LIMITED (CDC)   | 6,055            | 0.0641          |
| 2   | AKIK CAPITAL (PRIVATE) LIMITED (CDC)             | 4,600            | 0.0487          |
| 3   | CENTRAL DEPOSITORY COMPANY OF PAKISTAN LTD.(CDC) | 25               | 0.0003          |
| 4   | MAPLE LEAF CAPITAL LIMITED (CDC)                 | 1                | 0.0000          |
| 5   | SARFRAZ MAHMOOD (PRIVATE) LTD. (CDC)             | 500              | 0.0053          |
| 6   | SCANDIA LIMITED (CDC)                            | 3,500            | 0.0370          |
|   |  | 14,681           | 0.1554          |
| <b><u>SHARES HELD BY THE GENERAL PUBLIC (FOREIGN)</u></b>   |  |                  |                 |
|   |  | 0                | 0.0000          |
| <b><u>SHARES HELD BY THE GENERAL PUBLIC (LOCAL)</u></b>   |  |                  |                 |
|   |  | 250,232          | 2.6480          |
|   |  | 250,232          | 2.6480          |
| <b>TOTAL:</b>   |  | <b>9,450,000</b> | <b>100.0000</b> |



| S. No. | NAME | HOLDING | %AGE |
|--------|------|---------|------|
|--------|------|---------|------|

**SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL**

|   |                                |           |         |
|---|--------------------------------|-----------|---------|
| 1 | MR. MUHAMAMD SHAMIM KHAN (CDC) | 2,755,833 | 29.1623 |
| 2 | MRS. QAISER SHAMIM KHAN (CDC)  | 2,646,022 | 28.0002 |
| 3 | MR. ADNAN AHMED KHAN (CDC)     | 1,890,016 | 20.0002 |
| 4 | MR. NAUMAN AHMED KHAN (CDC)    | 1,890,016 | 20.0002 |
|   |                                | <hr/>     |         |
|   |                                | 9,181,887 | 97.1628 |
|   |                                | <hr/>     |         |

**SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL**

|   |                                |           |         |
|---|--------------------------------|-----------|---------|
| 1 | MR. MUHAMAMD SHAMIM KHAN (CDC) | 2,755,833 | 29.1623 |
| 2 | MRS. QAISER SHAMIM KHAN (CDC)  | 2,646,022 | 28.0002 |
| 3 | MR. ADNAN AHMED KHAN (CDC)     | 1,890,016 | 20.0002 |
| 4 | MR. NAUMAN AHMED KHAN (CDC)    | 1,890,016 | 20.0002 |
|   |                                | <hr/>     |         |
|   |                                | 9,181,887 | 97.1628 |
|   |                                | <hr/>     |         |

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

| S. No. | NAME | SALE | PURCHASE |
|--------|------|------|----------|
|--------|------|------|----------|

NIL

# STATEMENT OF COMPLIANCE

## WITH LISTED COMPANIES

(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019



**NAME OF THE COMPANY:** BABA FARID SUGAR MILLS LIMITED  
**YEAR ENDED:** SEPTEMBER 30, 2022

**M/s. Baba Farid Sugar Mills Limited** ("the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") in the following manner:

1. The total number of directors are seven as per the following:g:
  - a. Male: 05
  - b. Female: 02
2. The composition of the Board of Directors (the Board") is as follows:

| Category               | Names   |
|------------------------|---|
| Independent Directors  | Mr. Farid-ud-Din Ahmad<br>Mr. Malik Manzoor Hussain Humayoon              |
| Non-Executive Director | Mrs. Qaiser Shamim Khan<br>Mr. Nauman Ahmed Khan<br>Mrs. Sarah Hajra Khan |
| Executive Directors    | Mr. Adnan Ahmed Khan (CEO)<br>Mr. Muhammad Shamim Khan                    |
| Female Directors       | Mrs. Qaiser Shamim Khan<br>Mrs. Sarah Hajra Khan                          |

Determination of number of independent Directors comes to 2.33 (rounded to 2.0) which is based on seven elected Directors. The Fraction of one-third is not rounded up, as the two elected independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, as per applicable laws and regulations. As they fulfill the necessary requirements as per applicable laws and regulations, hence, appointment of a third independent director is not warranted.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board /shareholders as empowered by the relevant provisions of the Act and these regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirement of the Act and the Regulations with respect to frequency, recordings and circulating minutes of meeting of the board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Board has arranged Directors' Training program of the following:  
  
Mrs. Sarah Hajra Khan  
Mr. Farid-ud-Din Ahmad  
Mr. Malik Manzoor Hussain Humayoon  
  
Remaining four directors are exempted from such training as they have fourteen years of education and fifteen years of experience on the board of the listed company
10. The Board has approved appointment of chief financial officer, company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief financial officer and chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

#### AUDIT COMMITTEE

| Names                              | Designation held       |
|------------------------------------|------------------------|
| Mr. Farid ud Din Ahmad             | Chairman/ Independent  |
| Mrs. Sarah Hajra Khan              | Member / Non-Executive |
| Mr. Malik Manzoor Hussain Humayoon | Member / Independent   |

#### HR AND REMUNERATION COMMITTEE

| Names                              | Designation held         |
|------------------------------------|--------------------------|
| Mr. Farid ud Din Ahmad             | Chairman/ Independent    |
| Mr. Adnan Ahmed Khan               | Member / Executive (CEO) |
| Mr. Malik Manzoor Hussain Humayoon | Member / Independent     |

#### RISK MANAGEMENT COMMITTEE

| Names                              | Designation held       |
|------------------------------------|------------------------|
| Mr. Malik Manzoor Hussain Humayoon | Chairman / Independent |
| Mr. Farid ud Din Ahmad             | Member / Independent   |

## NOMINATION COMMITTEE

| Names                              | Designation held      |
|------------------------------------|-----------------------|
| Mr. Malik Manzoor Hussain Humayoon | Chairman/ Independent |
| Mr. Farid ud Din Ahmad             | Member/ Independent   |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/ half yearly/ yearly) of the committees held during the financial year ended 30th September 2022 were as per following:

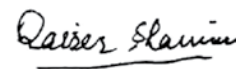
| Names                         | Number of Meetings Held |
|-------------------------------|-------------------------|
| Audit Committee               | 6                       |
| HR and Remuneration Committee | 1                       |
| Risk Management Committee     | 1                       |
| Nomination Committee          | 1                       |

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with policies and procedures of the Company;
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with international federation of accountant (IFAC) guidelines on code of ethics as adopted by Institute of chartered accountants of Pakistan and that they and partners of the firm involved in the audit are not a close relative ( spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of the Regulations 3, 6, 7, 8, 27, 32, 33, and 36 have been complied with,.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8 27, 32, 33, and 36 are below:

- As per regulation 35, "Disclosure of significant policies on website" the Company may post the following on its website:

Key element of its significant policies  
 Brief synopsis of terms of reference of the Board Committees  
 Key element of the directors' remuneration policy

However, these have not been posted on the website as, the updating of website customization is still in progress and will soon be complied with.



Mrs. Qaiser Shamim Khan  
 Chairperson

27th December 2022

# INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Baba Farid Sugar Mills Limited

## Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Baba Farid Sugar Mills Limited for the year ended September 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended September 30, 2022.

Further we highlight below instances of non-compliance with the requirement of the regulations as reflected in the paragraph reference where it is stated in the statement of Compliance:

| Paragraph Reference | Description  |
|---------------------|--|
| I 02                | Independent directors' fraction is not rounded up as "One".                    |
| II 19               | Disclosure of significant policies has not been posted on the Company website. |

*BDO Ebrahim.*

**BDO EBRAHIM & CO.**

Chartered Accountants

Engagement Partner: Muhammad Imran

UDIN: CR202210131rymsgGbe9

Lahore: January 03, 2023

# INDEPENDENT AUDITOR'S REPORT

## To the Members of Baba Farid Sugar Mills Limited Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **BABA FARID SUGAR MILLS LIMITED** (the Company), which comprise the statement of financial position as at September 30, 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2022 and of the loss and other comprehensive income, its cash flows and the changes in equity for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty relating to Going Concern

We draw attention to Note 4 to the financial statements, which indicates that the Company has incurred a net loss amounting to Rs. 242.297 million for the year ended September 30, 2022 and as of that date the current liabilities exceeded its current assets by Rs. 51.288 million. The accumulated losses have exceeded the issued, subscribed and paid-up capital by Rs. 2,602.355 million as at September 30, 2022 and accumulated losses as of that date amounted to Rs. 2,696.855 million. These conditions, along with other matters as set forth in Note 4, indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. However, these financial statements have been prepared on a going concern basis based on profitable future cashflow projections and the sponsors' commitment to provide financial support to the Company and other mitigating factors mentioned in the note 4.

Considering the mitigating factors mentioned in the note 4, these financial statements have been prepared on going concern basis. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

| Sr.No | Key audit matters  | How the matter was addressed in our audit  |
|-------|--|--|
| 1.    | Capital expenditures   |  |
|       | <p>The Company continued to invest in capital projects with significant capital expenditure incurred during the year ended September 30, 2022. The significant level of capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalization in property, plant and equipment meets the specific recognition criteria in the Company's accounting policy, in particular for assets constructed/installed by the Company and the useful economic lives assigned by management are appropriate. For these reasons, we considered it to be a key audit matter.</p> <p>Refer to notes 7.1, 8 and 9 to the financial statements for accounting policies and the relevant detailed disclosures.</p>  | <p>Our audit work included assessing and testing the design and operation of its key controls over capital expenditure and testing the amounts capitalized to supporting evidence and evaluating whether assets capitalized satisfied the required recognition criteria.</p> <p>We also assessed the useful economic lives assigned with reference to the Company's historical experience.</p> <p>We reviewed the minutes of the Company's Board of Directors and Audit Committee to evaluate the completeness of management's consideration of any events that warranted changes to the useful economic lives.</p> <p>We visited the sites where significant capital projects are ongoing to understand the nature of the projects.</p> <p>The adequacy of the disclosures presented in the financial statements regarding property, plant and equipment was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017.</p>   |
| 2.    | Contingencies  |  |
|       | <p>As disclosed in note 33.1 to the financial statements, the Company is involved in certain legal and tax proceedings against the Company. The appeals were filed by the Company against these orders at respective forum.</p> <p>Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements.</p> <p>No provision has been made in the financial statements for the liability that may arise in the event of a decision against the Company as the management is of the opinion, based on advice of legal and tax advisor that the decision is likely to be in the favor of the Company.</p> <p>There are significant uncertainties attached to the future outcome of these pending matters and, therefore, are considered as key audit matters.</p> | <p>We undertook number of procedures to verify the appropriateness of contingencies in the financial statements. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Obtained understanding of the Company's processes and controls over litigations through meetings with the management and review of the minutes of the Board of Directors and Board Audit Committee.</li> <li>Reviewed the correspondence of the Company with the relevant authorities and the Company's legal advisors including the judgments or orders passed by the competent authorities.</li> <li>Obtained and reviewed direct confirmations from the Company's external legal advisors for their views on the legal position of the Company in relation to the contingent matters.</li> <li>Discussed open matters and developments with the in-house legal department personnel of the Company.</li> <li>Evaluated the adequacy of disclosures made in respect of these contingencies in accordance with the applicable accounting and reporting standards.</li> </ul> |

| Sr.No | Key audit matters   | How the matter was addressed in our audit  |
|-------|---|--|
| 3.    | Revenue recognition   |  |
|       | <p>The company principally generates revenue from sale of sugar and it by products. Revenue has been recognized as per the accounting policy stated in note 7.22 to the financial statements.</p> <p>We have identified revenue recognition as a key audit matter as it is one of the key performance indicator of the Company and gives rise to an inherent risk of material misstatement to meet expectations or targets.</p> | <p>Our audit procedures in respect of revenue recognition, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the process relating to recording of revenue and testing the design, implementation and operating effectiveness of relevant key internal controls over recording of revenue.</li> <li>• Assessed the appropriateness of the Company's accounting policy for recording of revenue and compliance of the policy with International Financial Reporting Standard – Revenue from contracts with customers (IFRS 15).</li> <li>• Reviewed a sample of contractual arrangements entered into by the Company with its customers and checking the performance obligations involved, transaction price and recognition of revenue based on satisfaction of performance obligation.</li> <li>• Compared a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery notes and other relevant underlying documents.</li> <li>• Compared a sample of sale transactions recorded before and after the year end with relevant underlying documentation to assess whether revenue has been recorded in the correct accounting period.</li> <li>• Assessed the adequacy of disclosures in the financial statements to be in accordance with the applicable accounting and reporting standard.</li> </ul> |

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of

the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Imran.

*BDO Ebrahim.*

**BDO EBRAHIM & CO.**

CHARTERED ACCOUNTANTS

UDIN: AR202210131Pd3yISfD2

LAHORE: JANUARY 03, 2023

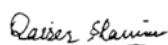
# STATEMENT OF FINANCIAL POSITION

As At 30 September 2022

|  | Note | 2022<br>Rupees       | 2021<br>Rupees       |
|--|------|----------------------|----------------------|
| <b>ASSETS</b>                            |      |                      |                      |
| <b>NON CURRENT ASSETS</b>                |      |                      |                      |
| Property, plant and equipment            | 8    | 3,565,497,284        | 2,836,086,866        |
| Operating fixed assets                   | 9    | 4,318,237            | 107,105,808          |
| Capital work in progress                 |      | 3,569,815,521        | 2,943,192,674        |
| Long term deposits                       | 10   | 1,862,450            | 1,337,050            |
|  |      | 3,571,677,971        | 2,944,529,724        |
| <b>CURRENT ASSETS</b>                    |      |                      |                      |
| Stores, spares and loose tools           | 11   | 142,233,291          | 128,614,530          |
| Stock in trade                           | 12   | 535,560,190          | 4,336,426            |
| Trade debts                              | 13   | 8,258,625            | 4,576,692            |
| Short term investment                    | 14   | -                    | 100,355,619          |
| Loans and advances                       | 15   | 186,693,990          | 135,380,853          |
| Short term deposits and prepayments      | 16   | 1,698,307            | 1,707,038            |
| Other receivables                        | 17   | 9,373,703            | 125,284,688          |
| Tax refunds due from the Government      | 18   | 9,232,115            | 1,652,906            |
| Taxation - net                           | 31   | 32,487,650           | 7,169,497            |
| Cash and bank balances                   | 19   | 225,531,346          | 26,945,258           |
|  |      | 1,151,069,217        | 536,023,507          |
| <b>TOTAL ASSETS</b>                      |      | <b>4,722,747,188</b> | <b>3,480,553,231</b> |
| <b>EQUITY AND LIABILITIES</b>            |      |                      |                      |
| <b>SHARE CAPITAL AND RESERVES</b>        |      |                      |                      |
| Authorized share capital                 | 20.1 | 700,000,000          | 700,000,000          |
| Issued, subscribed and paid up capital   | 20.2 | 94,500,000           | 94,500,000           |
| Reserves                                 |      | (2,696,855,317)      | (2,494,620,374)      |
| Revenue reserves - accumulated losses    |      | 3,002,700,000        | 2,302,700,000        |
| Directors' loans                         | 21   | 2,371,408,110        | 1,890,862,444        |
| Surplus on revaluation of fixed assets   | 22   | 2,771,752,793        | 1,793,442,070        |
| <b>NON CURRENT LIABILITIES</b>           |      |                      |                      |
| Loan from associated company             | 23   | -                    | 300,000,000          |
| Long term loan                           | 24   | 321,629,268          | -                    |
| Lease liabilities                        | 25   | 6,355,958            | 6,791,989            |
| Deferred liabilities                     | 26   | 420,652,037          | 377,296,536          |
|  |      | 748,637,263          | 684,088,525          |
| <b>CURRENT LIABILITIES</b>               |      |                      |                      |
| Trade and other payables                 | 27   | 263,323,136          | 416,521,603          |
| Unclaimed dividend                       |      | 255,930              | 255,930              |
| Due to Pattoki Sugar Mills Limited       | 28   | 16,656,242           | 14,426,698           |
| Short term borrowing                     | 29   | 440,005,920          | 20,295,945           |
| Mark-up accrued                          | 30   | 298,446,922          | 247,610,328          |
| Current portion of long term liabilities | 32   | 183,668,982          | 303,912,132          |
|  |      | 1,202,357,132        | 1,003,022,636        |
| <b>CONTINGENCIES AND COMMITMENTS</b>     | 33   | -                    | -                    |
| <b>TOTAL EQUITY AND LIABILITIES</b>      |      | <b>4,722,747,188</b> | <b>3,480,553,231</b> |

The annexed notes from 1 to 63 form an integral part of these financial statements.

At the time of the meeting of Board of Directors, the Chief Executive Officer is not available in Pakistan. Therefore, as prescribed under section 232 of Companies Act, 2017, these financial statements are signed by two Directors and the Chief Financial Officer.



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

# STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2022

|   | Note | 2022<br>Rupees  | 2021<br>Rupees  |
|---|------|-----------------|-----------------|
| Sales   | 34   | 3,938,711,677   | 3,864,161,244   |
| Cost of sales   | 35   | (3,990,958,561) | (3,613,466,224) |
| Gross (loss) / profit                                   |      | (52,246,884)    | 250,695,020     |
| Selling and distribution expenses                       | 36   | (19,902,768)    | (14,523,650)    |
| General and administrative expenses                     | 37   | (102,782,889)   | (79,325,441)    |
| Other operating expenses                                | 38   | (107,978,750)   | (13,458,780)    |
| Other income  | 39   | 321,181,959     | 138,316,106     |
|   |      | 90,517,552      | 31,008,235      |
| Operating profit  |      | 38,270,668      | 281,703,255     |
| Financial charges                                       | 40   | (205,930,110)   | (115,282,684)   |
| (Loss) / profit before taxation                         |      | (167,659,442)   | 166,420,571     |
| Taxation  | 41   | (74,637,419)    | (44,201,722)    |
| (Loss) / profit after taxation                          |      | (242,296,861)   | 122,218,849     |
| (Loss) / earning per share - Basic and diluted (Rupees) | 44   | (25.64)         | 12.93           |

Appropriation have been reflected in the statement of changes in equity.

The annexed notes from 1 to 63 form an integral part of these financial statements.

At the time of the meeting of Board of Directors, the Chief Executive Officer is not available in Pakistan. Therefore, as prescribed under section 232 of Companies Act, 2017, these financial statements are signed by two Directors and the Chief Financial Officer.

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2022

|  | Note   | 2022<br>Rupees | 2021<br>Rupees |
|--|--------|----------------|----------------|
| (Loss) / profit after taxation                                     |        | (242,296,861)  | 122,218,849    |
| Other comprehensive income   |        |                |                |
| Items that will not be reclassified subsequently to profit or loss |        |                |                |
| Remeasurement of defined benefit liability                         | 26.3.4 | 868,139        | (147,950)      |
| Related tax effect   |        | (251,760)      | -              |
|  |        | 616,379        | (147,950)      |
| Surplus on revaluation of operating fixed assets                   |        | 533,459,545    | -              |
| Related tax effect   |        | (13,468,340)   | -              |
|  |        | 519,991,205    | -              |
| Items that may be reclassified subsequently to profit or loss      |        | -              | -              |
| Total comprehensive income for the year                            |        | 278,310,723    | 122,070,899    |

The annexed notes from 1 to 63 form an integral part of these financial statements.

At the time of the meeting of Board of Directors, the Chief Executive Officer is not available in Pakistan. Therefore, as prescribed under section 232 of Companies Act, 2017, these financial statements are signed by two Directors and the Chief Financial Officer.

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

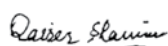
# STATEMENT OF CASH FLOWS

For the year ended 30 September 2022

|  | Note   | 2022<br>Rupees | 2021<br>Rupees |
|--|--------|----------------|----------------|
| <b>Cash flows from operating activities</b>              |        |                |                |
| (Loss) / profit before taxation                          |        | (167,659,442)  | 166,420,571    |
| Adjustments for items not involving movement of funds:   |        |                |                |
| Depreciation   | 8.8    | 104,730,258    | 93,330,759     |
| Provision for staff retirement gratuity                  | 26.3.4 | 5,532,233      | 5,525,822      |
| Gain on sale of fixed assets                             | 39     | -              | (3,639,229)    |
| Profit on investment                                     | 39     | 311,741        | 418,375        |
| Provision for obsolete stores and spares                 | 38     | 1,000,000      | -              |
| Provision for doubtful other receivables                 | 38     | 105,742,500    | -              |
| Liabilities written back                                 | 39     | (236,634,124)  | (103,548,738)  |
| Financial charges  | 40     | 204,762,660    | 115,282,684    |
| Net cash flow before working capital changes             |        | 17,785,826     | 273,790,244    |
| <b>Decrease / (increase) in current assets</b>           |        |                |                |
| Stores, spares and loose tools                           |        | (14,618,761)   | (49,868,775)   |
| Stock in trade   |        | (531,223,764)  | 252,637,952    |
| Trade debts  |        | (3,681,933)    | 4,091,477      |
| Loans and advances                                       |        | (51,313,137)   | (57,858,852)   |
| Trade deposits and short term prepayments                |        | 8,731          | 1,411,440      |
| Other receivables  |        | 10,168,485     | (10,919,354)   |
|  |        | (590,660,379)  | 139,493,888    |
| <b>Increase / (decrease) in current liabilities</b>      |        |                |                |
| Trade and other payables                                 |        | 83,435,687     | (244,408,879)  |
|  |        | (489,438,866)  | 168,875,253    |
| Taxes paid   |        | (82,376,687)   | (55,129,320)   |
| Payment against staff retirement - gratuity              |        | (828,299)      | (730,077)      |
| Financial charges paid                                   |        | (155,093,516)  | (53,425,722)   |
| Net cash (used in) / generated from operating activities |        | (727,737,368)  | 59,590,134     |
| <b>Cash flows from investing activities</b>              |        |                |                |
| Additions to operating fixed assets                      |        | (293,574,321)  | (154,735,311)  |
| Additions to capital work in progress                    |        | 102,787,571    | (40,960,954)   |
| Proceeds from sale of fixed assets                       |        | -              | 4,315,000      |
| Short term investment                                    |        | 100,000,000    | (100,000,000)  |
| Long term deposits                                       |        | (525,400)      | (1,162,550)    |
| Net cash used in investing activities                    |        | (91,312,150)   | (292,543,815)  |
| <b>Cash flows from financing activities</b>              |        |                |                |
| Loan from banking companies                              |        | 499,956,000    | -              |
| Due to Pattoki Sugar Mills Limited                       |        | 2,229,544      | (29,402,987)   |
| Loan from associated company - Net                       |        | (600,000,000)  | (300,000,000)  |
| Directors' loans   |        | 700,000,000    | 320,000,000    |
| Lease liability paid                                     |        | (4,259,913)    | (2,441,828)    |
| Short term borrowings-net                                |        | 419,709,975    | (84,704,055)   |
| Net cash generated from / (used in) financing activities |        | 1,017,635,606  | (96,548,870)   |
| Net increase / (decrease) in cash and cash equivalents   |        | 198,586,088    | (329,502,551)  |
| Cash and cash equivalents at the beginning of the year   |        | 26,945,258     | 356,447,809    |
| Cash and cash equivalents at the end of the year         |        | 225,531,346    | 26,945,258     |

The annexed notes from 1 to 63 form an integral part of these financial statements.

At the time of the meeting of Board of Directors, the Chief Executive Officer is not available in Pakistan. Therefore, as prescribed under section 232 of Companies Act, 2017, these financial statements are signed by two Directors and the Chief Financial Officer.



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2022

|                      | Issued,<br>subscribed<br>and paid-up<br>capital | Surplus on<br>revaluation of<br>fixed assets | Directors'<br>loans | Revenue<br>Reserves   | Total         |
|----------------------|---|--|---------------------|-----------------------|---------------|
|                      | Ordinary<br>shares                              |  |                     | Accumulated<br>losses |               |
| Note                 | ----- ( Rupees) -----                           |  |                     |                       |               |
|                      | 94,500,000                                      | 1,933,262,901                                | 1,982,700,000       | (2,659,091,730)       | 1,351,371,171 |
| Deferred tax<br>21.1 | -   | -  | -                   | 122,218,849           | 122,218,849   |
|                      | -   | -  | -                   | (147,950)             | (147,950)     |
|                      | -   | (42,400,457)                                 | -                   | 42,400,457            | -             |
|                      | -   | -  | 320,000,000         | -                     | 320,000,000   |
|                      | -   | (42,400,457)                                 | 320,000,000         | 164,471,356           | 442,070,899   |
|                      | 94,500,000                                      | 1,890,862,444                                | 2,302,700,000       | (2,494,620,374)       | 1,793,442,070 |
|                      | -   | -  | -                   | (242,296,861)         | (242,296,861) |
| Deferred tax<br>21.1 | -   | -  | -                   | 616,379               | 616,379       |
|                      | -   | 519,991,205                                  | -                   | -                     | 519,991,205   |
|                      | -   | (39,445,539)                                 | -                   | 39,445,539            | -             |
|                      | -   | -  | 700,000,000         | -                     | 700,000,000   |
|                      | -   | 480,545,666                                  | 700,000,000         | (202,234,943)         | 978,310,723   |
|                      | 94,500,000                                      | 2,371,408,110                                | 3,002,700,000       | (2,696,855,317)       | 2,771,752,793 |

The annexed notes from 1 to 63 form an integral part of these financial statements.

At the time of the meeting of Board of Directors, the Chief Executive Officer is not available in Pakistan. Therefore, as prescribed under section 232 of Companies Act, 2017, these financial statements are signed by two Directors and the Chief Financial Officer.

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2022

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Baba Farid Sugar Mills Limited ("the Company") was incorporated in 1978 under the Companies Act 1913 (now Companies Act, 2017) as a Public Limited Company and its shares are quoted at Pakistan Stock Exchange. It is principally engaged in the manufacturing and sale of sugar including its by-products i.e. molasses, Filter cake and bagasse.

## 2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 2-D/1, Gulberg III, Lahore. The manufacturing facility of the Company is located at 5 KM Faisalabad Road, District Okara, Punjab.

## 3. ACQUISITION OF THE COMPANY

Naubahar Bottling Company (Private) Limited and others (the Acquirers/Sponsors/related parties) have purchased shares from Pattoki Sugar Mills Limited and others (collectively, the "Sponsor Sellers") during the previous period. Naubahar Bottling Company (Private) Limited has sold/transferred its shares to directors of the Company in October 2020. The transaction has been completed during the previous period except some settlement of dues as disclosed note 28.

## 4. GOING CONCERN ASSUMPTION

The Company has incurred a net loss amounting to Rs. 242.297 million during the year ended September 30, 2022 and as of that date, the Company's current liabilities exceeded its current assets by Rs. 51.288 million as at September 30, 2022. The accumulated losses have exceeded the issued, subscribed and paid up capital by Rs. 2,602.355 million as at September 30, 2022 and accumulated losses as of that date amounted to Rs. 2,696.855 million.

These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. During the period under audit the Company has produced 1,080,530 sugar bags which are 30.18% higher as compared to previous period. The Company is also expecting the higher sales revenue on the basis of increased production, resultantly the Company's current ratio has been improved as compared to previous year i.e 0.96 (September 30, 2021: 0.53). The Company has also profitable future projections and sponsor's commitment to provide financial support to the Company as and when required. Based on these factors, these financial statements have been prepared on a going concern basis. The acquisition in 2019 has further brought strength, experience and efficiency to the Company. Specifically, the acquisition has the potential to: facilitate expansion and efficient growth of business; strengthen the management and finances; and improve financial planning; thereby facilitating business to be carried on more advantageously and economically with enhanced profitability.

It is expected to yield better returns to the shareholders and additional benefits for other stakeholders. It is expected that the Company shall become more financially viable in comparison to its current status. Consequently, the Acquirers will be able to pass on parts of the expected benefits to the other stakeholders such as the Government, employees, general body of consumers and the society at large. The Sponsors have appointed an experienced Board of Directors and professional management team to revive sugar mills operations and explore new markets. They are confident that it will be able to expand the Company's business and operate more efficiently and profitably.

Considering these mitigating factors and based on the profitable future projections and sponsor's commitment to provide financial support to the Company, these financial statements have been prepared on a going concern basis.

## 5. BASIS OF PREPARATION

### 5.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of :

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 5.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits at present value and as modified for fair value adjustment in certain fixed assets and exchange differences.

The preparation of financial statements in conformity with accounting and reporting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amounts, of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are disclosed in note 42.

### 5.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency for the Company.

## 6. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

### 6.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended September 30, 2022

The following standards, amendments and interpretations are effective for the year ended September 30, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

|  | Effective date (annual periods beginning on or after) |
|--|---|
| "Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)"    | January 01, 2021                                      |
| Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions | April 01, 2021  |

## 6.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

|   | Effective date (annual periods beginning on or after) |
|---|---|
| Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework  | January 01, 2022                                      |
| Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current                | January 01, 2024                                      |
| Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies                                      | January 01, 2023                                      |
| Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates          | January 01, 2023                                      |
| Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction              | January 01, 2023                                      |
| Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use   | January 01, 2022                                      |
| Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract | January 01, 2022                                      |

Certain annual improvements have also been made to a number of IFRSs.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

## 7. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

### 7.1 Property, plant and equipment

#### a) Owned assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land, buildings on freehold land, and plant & machinery which are carried at revalued amount and capital work-in-progress which is stated at cost less impairment losses.

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in note 8. The rates are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

Depreciation on assets is charged from the month of addition while no depreciation is charged for the month in which assets are disposed off.

Increases in the carrying amounts arising on revaluation of fixed assets is recognised, net of tax, in other comprehensive income and accumulated revaluation surplus in shareholders' equity and value of fixed assets. If an assets' carrying amount is increased as a result of revaluation, the increase will be recognized in other comprehensive income. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an assets' carrying amount is decreased as a result of revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that assets.

Maintenance and normal repairs are charged to income as and when incurred while cost of major replacements and improvements, if any, are capitalized.

Gains and losses on disposal and retirement of an asset are included in the statement of profit or loss.

#### Surplus on revaluation of operating fixed assets

Surplus arising on revaluation is credited to surplus on revaluation of property plant and equipment. This surplus on revaluation, to the extent of incremental depreciation is transferred to accumulated profit, net of deferred tax.

#### b) Capital work in progress

Capital work-in-progress are stated at cost less impairment losses, if any, and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.



### c) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the statement of profit or loss.

## 7.2 Leases

### Right of use assets

The right of use asset is measured at cost, as the amount equal to initially measured lease liability adjusted for lease prepayments made at or before the commencement date, initial direct cost incurred less any lease incentives received.

The right of use asset is subsequently depreciated using reducing balance method from the date of recognition to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

### Lease liability

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Subsequently lease liabilities are measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of its assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

### 7.3 Intangible assets

Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefits beyond one year are recognized as intangible assets. These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is provided on a straight line basis over the asset's estimated useful lives.

### 7.4 Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition investment property is carried at fair value. The fair value is determined annually by an independent approved valuer. The fair value is based on market value being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the income statement.

Rental income from investment property is accounted for as described in note 7.22.

When an item of property, plant and equipment is transferred to investment property following a change in its use, differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment, if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

For a transfer from inventories to investment property that will be carried at fair value any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

### 7.5 Investment in associates

Investment in associates where the Company holds 20% or more of the voting power of the investee companies and where significant influence can be established are accounted for using the equity method. Investment in associates other than those described as above are classified as "Fair value through OCI".

In case of investments accounted for under the equity method, the method is applied from the date when significant influence is established until the date when that significant influence ceases.

## 7.6 Investments in subsidiary

Investment in unquoted subsidiary is initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

## 7.7 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realizable value less impairment, if any, except for items in transit, which are valued at cost comprising of invoice value plus other charges paid thereon till the statement of financial position date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. For items which are slow moving and / or identified as surplus to the company's requirements, adequate provision is made for any excess book value over estimated realisable value.

Spares parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under the plant and machinery category and are depreciated on over a time period not exceeding the useful life of related assets.

## 7.8 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

|   |   |
|---|---|
| Raw and packing materials               | - weighted average cost   |
| Raw and packing materials<br>in transit | - Invoice value plus other expenses incurred thereon  |
| Work in process                         | - Cost of material as above plus proportionate production overheads   |
| Finished goods                          | - Average cost of manufacture/purchase which includes proportionate production overheads including duties and taxes paid thereon, if any. |
| By products                             | - At net realizable value   |

Adequate provision is made for slow moving and obsolete items.

Net realizable value represents the estimated selling prices in the ordinary course of business less expenses incidental to make the sale.

## 7.9 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold less provision for doubtful amounts. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company is required to recognize allowance for doubtful debts on all financial assets carried at amortized cost in accordance with Expected Credit Loss (ECL) requiring to recognize the loss irrespective whether the loss event has occurred. Default or delay in payments are considered indicators that the receivable is impaired.

## 7.10 Taxation

### a) Current

The charge for current year is higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and minimum tax computed at the prescribed rate on turnover or alternative corporate tax. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### b) Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the statement of profit or loss, except in case of items charged or credited directly to equity in which case it is included in the statement of comprehensive income.

## 7.11 Borrowings

Loans and borrowings are recorded at the proceeds received. Finance cost are accounted for on accrual basis and are shown as interest and mark-up accrued to the extent of the amount remaining unpaid.

Short term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing cost on long term finances and short term borrowings which are obtained for the acquisition of qualifying assets are capitalized as part of cost of that asset. All other borrowing costs are charged to the statement of profit or loss in the period in which these are incurred. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as allowed under IAS 23 "Borrowing cost".

## 7.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## 7.13 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### 7.14 Operating lease/Ijarah

Operating lease/ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor/Muj'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit and loss on a straight-line basis over the period of the lease/Ijarah.

The SECP has issued directive (vide SRO 431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Company has adopted the above said standard.

#### 7.15 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

#### 7.16 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and balances with banks net of borrowings not considered as being in the nature of financing activities.

#### 7.17 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

#### 7.18 Financial instruments

##### 7.18.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

##### Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

### Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

### Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

### Impairment

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company recognizes loss allowance for Expected Credit Losses (ECLs), except for the following, which are measured at 12-month ECLs, on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Management uses actual credit loss experience over a past years to base the calculation of ECL.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### 7.18.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

#### 7.18.3 Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

#### 7.18.4 Derecognition

The financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

#### 7.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 7.20 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of transactions or at the contract rate. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing at the balance sheet date or at the contract rate. Exchange gains and losses are included in the statement of profit or loss currently.



## 7.21 Employee benefits

The Company's employees benefits comprise of gratuity scheme and compensated absences for eligible employees.

### 7.21.1 Staff retirement benefits

#### Defined benefit plan (Gratuity Fund)

The Company operates an un-funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned during service period and have served for the minimum qualification period. Provision is based on the actuarial valuation of the scheme carried out as at September 30, 2022 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits" and resulting vested portion of past service cost has been charged to income in the current year. The remeasurement gains / losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the statement of profit or loss.

### 7.21.2 Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

## 7.22 Revenue recognition

Revenue comprises the fair value for the sale of goods net of sales taxes and discounts. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods.

Revenue is recognized when specific criteria have been met for each of the Company's activities as described below.

#### Revenue from contracts with customers

##### Sale of goods

- Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue from the sale of goods is recognized at the point in time when the performance obligations arising from the contract with a customer is satisfied and the amount of revenue that it expects to be entitled can be determined. This usually occurs when control of the asset is transferred to the customer, which is when goods are dispatched or delivered to the customer.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is disclosed net of returns, rebates, discounts and other allowances.

##### Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

##### Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company

transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

### Others

- Scrap sales are recognized on delivery to customers at realized amounts.
- Return on deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.
- Rental income is recognized on accrual basis.
- All other income is recognized on accrual basis.
- Dividend on equity investments is recognized as income when the right to receive payment is established.

### 7.23 Related party transactions

Transactions with related parties are based at arm's length that normal commercial rates on the same terms and conditions as applicable to third party transactions.

### 7.24 Borrowing costs

Interest charges on long term loans are capitalized for the period up to the date of commencement of commercial production of the respective plant and machinery acquired out of the proceeds of such loans. All other interest and charges are treated as expenses during the year.

### 7.25 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company has only one reportable segment.

### 7.26 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### 7.27 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs, net of tax, directly attributable to the issue of new shares are shown as a deduction in equity.

### 7.28 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 7.29 Financial assets - due from Government of Pakistan

SECP through SRO 1177(I)/ 2021 dated September 13, 2021 has notified that in respect of companies holding financial assets due from Government of Pakistan, the requirements of IFRS 9 with respect to application of ECL method shall not be applicable till June 30, 2022 and such company shall follow relevant requirements of IAS 39 in respect of referred financial assets during the exemption period. Financial assets - due from Government are stated initially at the fair value, subsequent to initial recognition. These are stated at their amortized cost as reduced by appropriate provision for impairment, known impaired receivables are written off, while receivables considered doubtful are fully provided for.

The allowance for doubtful accounts is based on the Company's assessment at the collectability of counterparty accounts. The Company regularly reviews its trade debts that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering facts such as historical experience, credit quality, age of the accounts receivable balances and current economic conditions that may affect customers ability to pay.

## 7.30 Loans, advances, deposits, prepayments and other receivables

Loans, advances, deposits, prepayment and other receivables are carried at original amount less provision made for doubtful receivables based on a review of all outstanding amounts at the year end. Balance considered irrecoverable are written off.

|                                  | Note | 2022<br>Rupees       | 2021<br>Rupees       |
|----------------------------------|------|----------------------|----------------------|
| <b>8. OPERATING FIXED ASSETS</b> |      |                      |                      |
| Fixed Assets                     | 8.1  | 3,550,648,365        | 2,825,949,119        |
| Right of use assets              | 8.12 | 14,848,919           | 10,137,747           |
|                                  |      | <b>3,565,497,284</b> | <b>2,836,086,866</b> |

8.1 The following is the statement of fixed assets;

| Description                           | Freehold land | Buildings on freehold land | Plant and machinery | Electric installation | Tools and equipment | Vehicles    | Furniture and fixtures | Office and other equipments | Total           |
|---------------------------------------|---------------|----------------------------|---------------------|-----------------------|---------------------|-------------|------------------------|-----------------------------|-----------------|
|                                       | (Rupees)      |                            |                     |                       |                     |             |                        |                             |                 |
| Net carrying value basis              |               |                            |                     |                       |                     |             |                        |                             |                 |
| year ended September 30, 2022         |               |                            |                     |                       |                     |             |                        |                             |                 |
| Opening net book value (NBV)          | 1,260,192,500 | 221,542,290                | 1,323,968,991       | 6,714,244             | 5,967,161           | 339,389     | 1,543,817              | 5,680,727                   | 2,825,949,119   |
| Revaluation during the year (note 21) | 468,047,500   | 65,508,791                 | (96,746)            | -                     | -                   | -           | -                      | -                           | 533,459,545     |
| Additions / transfer (at cost)        | -             | 27,822,441                 | 246,081,082         | 4,205,585             | 13,403,269          | 344,444     | 375,140                | 1,342,360                   | 293,574,321     |
| Disposals (NBV)                       | -             | -                          | -                   | -                     | -                   | -           | -                      | -                           | -               |
| Depreciation charge                   | -             | (24,184,366)               | (75,011,506)        | (930,881)             | (1,230,433)         | (124,952)   | (180,035)              | (672,447)                   | (102,334,620)   |
| Closing net book value                | 1,728,240,000 | 290,689,156                | 1,494,941,821       | 9,988,948             | 18,139,997          | 558,881     | 1,738,922              | 6,350,640                   | 3,560,648,365   |
| Gross carrying value basis            |               |                            |                     |                       |                     |             |                        |                             |                 |
| year ended September 30, 2022         |               |                            |                     |                       |                     |             |                        |                             |                 |
| Cost/revalue                          | 1,728,240,000 | 580,966,921                | 2,612,635,849       | 20,887,741            | 23,744,444          | 8,313,761   | 7,506,621              | 19,223,647                  | 5,001,518,984   |
| Accumulated depreciation              | -             | (290,277,765)              | (1,117,694,028)     | (10,898,793)          | (5,604,447)         | (7,754,880) | (5,767,699)            | (12,873,007)                | (1,450,870,619) |
| Net book value                        | 1,728,240,000 | 290,689,156                | 1,494,941,821       | 9,988,948             | 18,139,997          | 558,881     | 1,738,922              | 6,350,640                   | 3,560,648,365   |
| Net carrying value basis              |               |                            |                     |                       |                     |             |                        |                             |                 |
| year ended September 30, 2021         |               |                            |                     |                       |                     |             |                        |                             |                 |
| Opening net book value (NBV)          | 1,260,192,500 | 246,158,100                | 1,243,936,754       | 2,221,063             | 2,791,003           | 473,041     | 1,415,230              | 5,894,752                   | 2,763,082,443   |
| Additions / Transfer (at cost)        | -             | -                          | 144,844,458         | 5,091,628             | 3,757,000           | -           | 284,300                | 393,545                     | 154,370,931     |
| Disposals (NBV)                       | -             | -                          | -                   | -                     | -                   | (48,805)    | -                      | -                           | (48,805)        |
| Depreciation charge                   | -             | (24,615,810)               | (64,812,221)        | (598,447)             | (580,842)           | (84,847)    | (155,713)              | (607,570)                   | (91,455,450)    |
| Closing net book value                | 1,260,192,500 | 221,542,290                | 1,323,968,991       | 6,714,244             | 5,967,161           | 339,389     | 1,543,817              | 5,680,727                   | 2,825,949,119   |
| Gross carrying value basis            |               |                            |                     |                       |                     |             |                        |                             |                 |
| year ended September 30, 2021         |               |                            |                     |                       |                     |             |                        |                             |                 |
| Cost/revalue                          | 1,260,192,500 | 487,635,689                | 2,366,651,513       | 16,682,156            | 10,341,175          | 7,969,317   | 7,131,481              | 17,881,287                  | 4,174,485,118   |
| Accumulated depreciation              | -             | (266,093,399)              | (1,042,682,522)     | (9,967,912)           | (4,374,014)         | (7,629,928) | (5,587,664)            | (12,200,560)                | (1,348,535,999) |
| Net book value                        | 1,260,192,500 | 221,542,290                | 1,323,968,991       | 6,714,244             | 5,967,161           | 339,389     | 1,543,817              | 5,680,727                   | 2,825,949,119   |
| Depreciation rate % per annum         | -             | 10                         | 5                   | 10                    | 10                  | 20          | 10                     | 10                          |                 |

8.2 Free hold land of the Company is located at 5-km Faisalabad Road, District Okara, Punjab with an area covering 72.011 acres (2021: 72.011 acres). The building on freehold land and other immovable assets of the Company are constructed/located at above mentioned freehold land and address.

8.3 Plant and machinery and building include transfer from capital work-in-progress amounting to Rs. 255.286 million (2021: 97.962 million).

8.4 Land, buildings, plant & machinery were revalued by independent valuers M/s. Harvester Services (Private) Limited as at September 30, 2022 on the basis of market value. The revaluation resulted in surplus aggregating to Rs. 533.459 million. Earlier it was revalued by M/s. Tristar International Consultants (Private) Limited as at September 30, 2019 which resulted in surplus aggregating to Rs. 349.215 million. Had there been no revaluation on that date, the book value of operating fixed assets would have been lower by Rs. 2,629.614 million (2021: Rs. 2,151.711 million).

8.5 Had there been no revaluation, the net book value of the assets as at September 30, 2022 would have been as under.

| Description         | Note | 2022<br>Rupees     | 2021<br>Rupees     |
|---------------------|------|--------------------|--------------------|
| Land                |      | 7,959,798          | 7,959,798          |
| Buildings           |      | 34,683,275         | 9,878,857          |
| Plant and machinery |      | 834,672,422        | 636,153,914        |
|                     |      | <b>877,315,496</b> | <b>653,992,569</b> |

8.6 The forced sale value of free hold land, building and plant & machinery is Rs. 1,469.004 million, 218.017 million and 1,116.000 million, respectively as at September 30, 2022.

8.7 The depreciation charge for the year is as follows:

|   | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|------|----------------|----------------|
| Fixed assets  | 8.1  | 102,334,620    | 91,455,450     |
| Right of use assets   | 8.12 | 2,395,638      | 1,875,309      |
|   |      | 104,730,258    | 93,330,759     |
| 8.8 The depreciation charge for the year has been allocated as follows: |      |                |                |
| Cost of sale  | 35   | 101,357,186    | 90,607,320     |
| General and administrative expenses                                     | 37   | 3,373,072      | 2,723,439      |
|   |      | 104,730,258    | 93,330,759     |

8.9 The following operating fixed assets were disposed off during the year:

| Description         | Cost      | Accumulated depreciation | Net Book value | Adjustments / Proceeds | Gain / (Loss) | Mode of disposal | Particulars of buyers |
|---------------------|-----------|--------------------------|----------------|------------------------|---------------|------------------|-----------------------|
|                     | (Rupees)  |                          |                |                        |               |                  |                       |
| Total 2022 Vehicles | -         | -                        | -              | -                      | -             |                  |                       |
| Tractors            | 2,070,000 | 2,022,851                | 47,149         | 2,602,564              | 2,555,415     | Negotiation      | Aleem Akbar           |
| Old cars            | 1,500,000 | 1,498,344                | 1,656          | 1,085,470              | 1,083,814     | Negotiation      | M. Iqbal              |
| Total 2021          | 3,570,000 | 3,521,195                | 48,805         | 3,688,034              | 3,639,229     |                  |                       |

8.10 Plant and machinery includes an amount of Rs. 7.165 million as stand by equipment/parts which have been capitalised and depreciated over the useful life of the assets.

8.11 Fair value measurement (revalued property, plant and equipment)

8.11.1 Fair value measurement of free hold land is based on the valuations carried out by an independent valuer M/s. Harvester Services (Private) Limited as at September 30, 2022 on the basis of market value.

8.11.2 Fair value measurement of revalued land is based on assumptions considered to be level 2 inputs.

8.11.3 Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per canal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

|  | Note   | 2022<br>Rupees | 2021<br>Rupees |
|--|--------|----------------|----------------|
| 8.12 Right of use assets                               |        |                |                |
| The following is the statement of right of use assets: |        |                |                |
| Vehicle  |        |                |                |
| Year ended September 30, 2022                          |        |                |                |
| Net carrying value basis                               |        |                |                |
| Opening net book value                                 |        | 10,137,747     | 1,513,176      |
| Addition during the year                               |        | 7,106,810      | 10,499,880     |
| Depreciation charged during year                       |        | (2,395,638)    | (1,875,309)    |
|  |        | 14,848,919     | 10,137,747     |
| Gross carrying value basis                             |        |                |                |
| Cost   |        | 12,279,410     | 1,779,530      |
| Addition during the year                               | 8.12.3 | 7,106,810      | 10,499,880     |
| Accumulated depreciation                               | 8.12.1 | (4,537,301)    | (2,141,663)    |
| Net book value   |        | 14,848,919     | 10,137,747     |
| 8.12.1 Accumulated depreciation                        |        |                |                |
| Opening balance  |        | 2,141,663      | 266,354        |
| Charge for the year                                    |        | 2,395,638      | 1,875,309      |
| Closing balance  |        | 4,537,301      | 2,141,663      |
| Depreciation rate % per annum                          |        | 20%            | 20%            |

8.12.2 This represents vehicles obtained on finance lease from Bank Al Habib Limited as further detailed in note 25.

8.12.3 This includes an amount of Rs. 1.976 million vehicles obtained on finance lease from the Bank Al Habib Limited during the period, however these have not been delivered to the Company as at the reporting date, therefore, no depreciation has been charged against these vehicles.

## 9. CAPITAL WORK IN PROGRESS

|                     | Note | 2022<br>Rupees | 2021<br>Rupees |
|---------------------|------|----------------|----------------|
| This comprises of:  |      |                |                |
| Building            |      | 4,318,237      | 12,775,893     |
| Plant and machinery |      | -              | 94,329,915     |
|                     |      | 4,318,237      | 107,105,808    |

## 9.1 Movement of carrying amount

### Year ended September 30, 2022

Opening balance  
Additions (at cost)  
Transferred to operating fixed assets

Closing balance

| Building     | Plant and machinery | Total         |
|--------------|---------------------|---------------|
| Rupees       | Rupees              | Rupees        |
| 12,775,893   | 94,329,915          | 107,105,808   |
| 19,364,785   | 133,133,849         | 152,498,634   |
| (27,822,441) | (227,463,764)       | (255,286,205) |
| 4,318,237    | -                   | 4,318,237     |

### Year ended September 30, 2021

Opening balance  
Additions (at cost)  
Transferred to operating fixed assets

Closing balance

|            |              |              |
|------------|--------------|--------------|
| 6,282,560  | 59,862,294   | 66,144,854   |
| 6,493,333  | 132,430,208  | 138,923,541  |
| -          | (97,962,587) | (97,962,587) |
| 12,775,893 | 94,329,915   | 107,105,808  |

9.2 Building consists of two residential houses in the officers colony, which is still under construction and expected to be completed on December 31, 2022.

## 10. LONG TERM DEPOSITS

Long term deposits (Leased)

Note

2022  
Rupees

2021  
Rupees

10.1

1,862,450

1,337,050

### 10.1 Movement of carrying amount

Opening balance  
Addition during the year

Closing balance

1,337,050

525,400

1,862,450

174,500

1,162,550

1,337,050

10.2 This comprises of security deposits with the Bank in respect of leasing facility availed during the current and prior year.

## 11. STORES, SPARES AND LOOSE TOOLS

Stores  
Spares

Less: Provision for obsolete stores and spares

Loose tools

Note

2022  
Rupees

2021  
Rupees

11.1

91,631,893

71,223,488

11.1

65,100,052

72,337,651

156,731,945

143,561,139

(16,041,549)

(15,041,549)

140,690,396

128,519,590

1,542,895

94,940

142,233,291

128,614,530



- 11.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

|      |  | 2022<br>Rupees | 2021<br>Rupees |
|------|--|----------------|----------------|
| 11.2 | Movement of provision for obsolete stores and spares |                |                |
|      | Opening balance                                      | 15,041,549     | 15,041,549     |
|      | Provision during the year                            | 1,000,000      | -              |
|      | Reversal during the year                             | -              | -              |
|      | Written off during the year                          | -              | -              |
|      |  | 16,041,549     | 15,041,549     |
| 12.  | STOCK IN TRADE                                       |                |                |
|      | Work in process                                      |                |                |
|      | - Sugar  | 35             | 4,903,115      |
|      | - Molasses   |                | 510,588        |
|      |  |                | 4,301,029      |
|      | Finished goods                                       |                |                |
|      | - Sugar  | 12.1 & 2       | 530,146,487    |
|      | - Molasses   |                | -              |
|      |  |                | 4,336,426      |

- 12.1 Stock-in-trade up to a maximum amount of Rs. 487.865 million (2021: Rs. Nil) are under hypothecation of commercial banks as security for short term borrowings.

- 12.2 These include provision for write down of finished goods inventory to net realisable value amounting to Rs. 21.371 million (2021: Nil).

### 13. TRADE DEBTS

|  | Note  | 2022<br>Rupees | 2021<br>Rupees |
|--|---|----------------|----------------|
| Unsecured                                |   |                |                |
| Considered good                          |   | 8,258,625      | 4,576,692      |
| Considered doubtful                      | 13.1  | -              | 382,652,520    |
|  |   | 8,258,625      | 387,229,212    |
| Less: Provision for impairment allowance | 13.1  | -              | (382,652,520)  |
|  |   | 8,258,625      | 4,576,692      |
| 13.1                                     | Movement of provision for impairment allowance is as follows: |                |                |
|  | Balance as at October 01,                                     | 382,652,520    | 382,652,520    |
|  | Adjustment on account of:                                     |                |                |
|  | Doubtful debts written off                                    | (382,652,520)  | -              |
|  | Recovery of doubtful debts                                    | -              | -              |
|  | Provision made for doubtful debts                             | -              | -              |
|  | Net adjustment  | (382,652,520)  | -              |
|  | Closing balance   | -              | 382,652,520    |

13.2 The management has decided to write off the provision made against doubtful debts as amount is not recoverable from debtors.

13.3 The current year trade debts represents amount receivable from Abdur Rehman & Co. against V.Filter cake.

#### 14. SHORT TERM INVESTMENT

|   | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|------|----------------|----------------|
| At fair value through profit or loss - Mutual funds |      |                |                |
| HBL Asset Management Limited                        |      |                |                |
| HBL Islamic Money Market Fund                       | 14.1 | -              | 100,355,619    |
| <b>14.1 HBL Islamic Money Market Fund</b>           |      |                |                |
| Opening   |      | 100,355,619    | -              |
| Acquired during the year                            |      | -              | 100,000,000    |
| Bonus /dividend                                     |      | 264,980        | 355,619        |
| Redeemed during the year                            |      | (100,620,599)  | -              |
| Closing   |      | -              | 100,355,619    |

##### 14.1.1 Movement of HBL Islamic Money Market Fund is as follow;

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| Opening units                       | 991,907.23  | -           |
| Units acquired during the year      | -           | 988,392.32  |
| Bonus / dividend units (net of tax) | 2,619.04    | 3,514.91    |
|                                     | 994,526.27  | 991,907.23  |
| Applicable price/ closing price     | 101.1744    | 101.1744    |
|                                     | 100,620,599 | 100,355,619 |
| Fair value adjustment               | -           | -           |
| Closing fair value                  | 100,620,599 | 100,355,619 |

#### 15. LOANS AND ADVANCES

|   |      |             |             |
|---|------|-------------|-------------|
| Advances - (Unsecured - considered good)          |      |             |             |
| To employees                                      | 15.1 | 42,632      | 107,105     |
| Advance against supplies and services (Unsecured) |      |             |             |
| Considered good                                   |      |             |             |
| Advances to cane growers                          | 15.2 | 164,054,529 | 85,102,219  |
| Advances for store purchases                      | 15.3 | 22,596,829  | 50,171,529  |
|   |      | 186,651,358 | 135,273,748 |
|   |      | 186,693,990 | 135,380,853 |

15.1 This represents advance given to employees against salary and expenses. These advances are provided for general purposes in accordance with the terms of their employment, which are not past due. These advances are unsecured, interest free and receivable on demand.

15.2 This include advances to various sugar cane growers in the form of fertilizers, seeds and pesticides. These advances are unsecured, interest free and will be adjusted in sugar cane payment.

15.3 This includes advances to vendors and service providers and are settled as and when the items are received and services are rendered.

15.4 Financial asset under this caption is advance to employees which are trivial for the decision making of users of the financial statements hence no impact on measurement has been considered.

|  | Note     | 2022<br>Rupees | 2021<br>Rupees |
|--|----------|----------------|----------------|
| <b>16. SHORT TERM DEPOSITS AND PREPAYMENTS</b> |          |                |                |
| Prepaid insurance                              |          | 1,698,307      | 1,707,038      |
| <b>17. OTHER RECEIVABLES</b>                   |          |                |                |
| Considered good                                |          |                |                |
| Sales tax                                      | 17.1     | 9,373,703      | 19,542,188     |
| Other receivable (related parties)             | 17.4 & 5 | -              | -              |
| Considered doubtful                            |          |                |                |
| Subsidy receivable on exports                  |          | 105,742,500    | 105,742,500    |
| Less: Provision for impairment allowance       |          | (105,742,500)  | -              |
|  |          | -              | 105,742,500    |
|  |          | 9,373,703      | 125,284,688    |

17.1 This represents sales tax against unclaimed invoices which have been claimed subsequent to the reporting date.

17.2 Movement of provision for impairment allowance is as follows:

|                                | Note | 2022<br>Rupees | 2021<br>Rupees |
|--------------------------------|------|----------------|----------------|
| Balance as at October 01,      |      | -              | -              |
| Adjustment on account of:      |      |                |                |
| Doubtful debts written off     |      | -              | -              |
| Recovery of doubtful debts     |      | -              | -              |
| Provision made during the year |      | (105,742,500)  | -              |
| Net adjustment                 |      | (105,742,500)  | -              |
| Closing balance                |      | (105,742,500)  | -              |

17.3 This represents subsidy receivable from Government of Pakistan against export of sugar during the financial year 2015. This is claimable under finance division's notification No. 1(4) CF-C/2014-114 dated February 18, 2015 in terms of which Government of Pakistan has approved total cash subsidy at the rate of Rs. 10/- per kg to sugar mills on export of sugar, as per the terms and conditions mentioned therein. The Company considers that this amount may not be recoverable so that a provision is made during the year.

17.4 The maximum amount due from Al-Moiz Industries Limited at the end of any month during the year was Rs. 3.595 million (2021: Rs. 9.600 Million).

- 17.5 The maximum amount due from The Thal Industries Corporation Limited at the end of any month during the year was Rs. 0.400 million (2021: Rs. 9.482 Million).

|   | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|------|----------------|----------------|
| 18. TAX REFUNDS DUE FROM THE GOVERNMENT |      |                |                |
| (Considered good)                       |      |                |                |
| Income tax                              |      | 9,232,115      | 1,652,906      |
| 19. CASH AND BANK BALANCES              |      |                |                |
| Cash in hand                            |      | 648,363        | 476,473        |
| Cash at banks                           |      |                |                |
| Deposit accounts                        | 19.1 | 199,887,997    | -              |
| Current accounts                        | 19.2 | 24,994,986     | 26,468,785     |
|   |      | 225,531,346    | 26,945,258     |

- 19.1 Cash with bank in deposit accounts carries profit rate ranging from 8.25% to 13.75% (2021: Nil).
- 19.2 Cash with bank in current accounts do not carry any interest or mark-up. There is no impact on measurement of bank balances due to implementation of IFRS 9.
- 19.3 In some bank accounts, the Company has not conducted any transactions since long and the bank had marked the account as dormant.

## 20. SHARE CAPITAL

### 20.1 Authorized share capital

| 2022  | 2021       |                                  | 2022<br>Rupees | 2021<br>Rupees |
|---|------------|----------------------------------|----------------|----------------|
| Number of ordinary shares<br>of Rs. 10/- each |            |                                  |                |                |
| 70,000,000                                    | 70,000,000 | Ordinary shares of Rs. 10/- each | 700,000,000    | 700,000,000    |

### 20.2 Issued, subscribed and paid up capital:

| 2022  | 2021      |                         | 2022<br>Rupees      | 2021<br>Rupees |
|---|-----------|-------------------------|---------------------|----------------|
| Number of ordinary shares<br>of Rs. 10/- each |           |                         |                     |                |
| 6,400,000                                     | 6,400,000 | Fully paid in cash      | 64,000,000          | 64,000,000     |
| 3,050,000                                     | 3,050,000 | Fully paid bonus shares | 30,500,000          | 30,500,000     |
| 9,450,000                                     | 9,450,000 |                         | 94,500,000          | 94,500,000     |
|   |           |                         | Number of<br>Shares | Rupees         |

#### 20.2.1 Movement of share capital is as follows:

|                                     |           |            |
|-------------------------------------|-----------|------------|
| Opening balance                     | 9,450,000 | 94,500,000 |
| Bonus shares issued during the year | -         | -          |
| Closing balance                     | 9,450,000 | 94,500,000 |

20.2.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

|                                       | 2022<br>Rupees       | 2021<br>Rupees       |
|---------------------------------------|----------------------|----------------------|
| <b>21. DIRECTORS' LOANS</b>           |                      |                      |
| Unsecured                             |                      |                      |
| Directors                             |                      |                      |
| Others (other than banking companies) |                      |                      |
| Directors                             | 2,817,700,000        | 2,110,700,000        |
| Chief Executive                       | 185,000,000          | 192,000,000          |
|                                       | <u>3,002,700,000</u> | <u>2,302,700,000</u> |

21.1 Movement of loan is as follows:

|                                |                      |                      |
|--------------------------------|----------------------|----------------------|
| Opening balance                | 2,302,700,000        | 1,982,700,000        |
| Obtained during the year from: |                      |                      |
| Mr. Muhammad Shamim Khan       | 290,000,000          | 160,000,000          |
| Mrs. Qaiser Shamim Khan        | 210,000,000          | 150,000,000          |
| Mr. Nauman Ahmed Khan          | 25,000,000           | -                    |
| Mr. Adnan Ahmed Khan           | 175,000,000          | 10,000,000           |
|                                | <u>700,000,000</u>   | <u>320,000,000</u>   |
| Repaid during the year         | -                    | -                    |
| Closing balance                | <u>3,002,700,000</u> | <u>2,302,700,000</u> |

21.2 This represents unsecured interest free long term loans from directors of the Company to meet the working capital and long term requirements. These are payable on discretion of the Company and will be paid as and when convenient to the Company. This has been disclosed/classified in accordance with TR -32 "Directors' Loan" clause 3.3 "Contractual Directors' loan" that is interest free and repayable at the discretion of the Company, issued by the Institute of Chartered Accountants of Pakistan. The Director's loan is subordinated to financial institutions against banking facilities to the extent mentioned in respective financing agreements.

## 22. SURPLUS ON REVALUATION OF FIXED ASSETS

|  |                      |                      |
|--|----------------------|----------------------|
| Balance brought forward  | 2,151,711,212        | 2,211,430,165        |
| Revaluation during the year  | 533,459,545          | -                    |
| Less: Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax) | 39,445,539           | 42,400,457           |
| Related deferred tax liability during the year transferred to profit and loss account                              | 16,111,558           | 17,318,496           |
|  | <u>(55,557,097)</u>  | <u>(59,718,953)</u>  |
|  | <u>2,629,613,660</u> | <u>2,151,711,212</u> |
| Less: Related deferred tax effect:   |                      |                      |
| Balance as at October 01   | 260,848,768          | 278,167,264          |
| Effect of change in rate   | -                    | -                    |
| Deferred tax impact for the period   | 13,468,340           | -                    |
| Incremental depreciation charged during the year transferred to profit and loss account                            | (16,111,558)         | (17,318,496)         |
|  | <u>(258,205,550)</u> | <u>(260,848,768)</u> |
|  | <u>2,371,408,110</u> | <u>1,890,862,444</u> |

- 22.1 The Company's freehold land, buildings on freehold land, plant and machinery have been revalued by M/s. Harvester Services (Private) Limited, an independent valuer not connected with the Company and approved by Pakistan Banks' Association (PBA). The basis of revaluation for items of these fixed assets were as follows:

#### Freehold land

Fair market value of freehold land was assessed through inquiries to real estate agents and property dealers in near vicinity of freehold land. Different valuation methods and exercises were adopted according to experience, location and other usage of freehold land. Valuer had also considered all other relevant factors as well.

#### Buildings on freehold land

Construction specifications were noted for each building and structure and new construction rates were applied according to construction specifications for current replacement values. After determining current replacement values, depreciation was calculated to determine the current assessed market value.

#### Plant and machinery

Suppliers and different sugar plant consultants in Pakistan and abroad were contacted to collect information regarding current prices of comparable sugar plant to determine current replacement value. Fair depreciation factor for each item was applied according to their physical condition, usage and maintenance.

- 22.2 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

|   | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|------|----------------|----------------|
| Freehold land                                   |      | 7,959,798      | 7,959,798      |
| Buildings on freehold land                      |      | 34,683,275     | 9,878,857      |
| Plant and machinery                             |      | 834,672,422    | 636,153,914    |
| <b>23. LOAN FROM ASSOCIATED COMPANY</b>         |      |                |                |
| Unsecured:                                      |      |                |                |
| Naubahar Bottling Company (Private) Limited     | 23.1 | -              | 300,000,000    |
| <b>23.1 From associated company</b>             |      |                |                |
| Balance as at October 01                        |      | 600,000,000    | 900,000,000    |
| Obtained during the year                        |      | -              | -              |
| Repayments/adjustments made during the year     |      | (600,000,000)  | (300,000,000)  |
|   |      | -              | 600,000,000    |
| Current portion shown under current liabilities | 32   | -              | (300,000,000)  |
|   |      | -              | 300,000,000    |

- 23.2 The Company obtained unsecured loan from M/s Naubahar Bottling Company (Private) Limited - the associated company (2021: associated company) that carries mark-up at the rate of 3 month's KIBOR plus 0.5% per annum. The effective mark-up rate charged by Naubahar Bottling Company (Private) Limited during the year which range from 8.28% to 12.39% (2021: 7.75% to 7.89%) per annum. During the year, company has repaid full amount of loan.

|   | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|------|----------------|----------------|
| 24. LONG TERM LOAN                              |      |                |                |
| Banking companies                               |      |                |                |
| Secured:  |      |                |                |
| Bank Al Habib Limited                           | 24.1 | 299,956,000    | -              |
| Allied Bank Limited                             | 24.2 | 200,000,000    | -              |
|   |      | 499,956,000    | -              |
| Current portion shown under current liabilities | 32   | (178,326,732)  | -              |
|   |      | 321,629,268    | -              |

- 24.1 This is a term loan obtained from Bank Al Habib Limited with approved limit of Rs. 300 million (2021: Nil) and carries mark-up at the rate of 3 months average KIBOR plus 1% per annum. This facility is secured against the personal guarantees of directors, corporate guarantees of M/s Al- Moiz Industries Limited (Associated Company), subordination of directors loans and pari passu charge over present and future fixed asset of the Company (land, building, plant & machinery) with 25% margin amounting to Rs. 667 million.

- 24.2 This is revolving agri facility with approved limit of Rs. 200 million (2021: Nil) and carries the markup at the rate of three month average KIBOR plus 1% per annum. This facility is secured against the personal guarantees of directors, corporate guarantees of M/s Al- Moiz Industries Limited (Associated Company), subordination of directors loans and pari passu charge over present and future fixed asset of the Company (land, building, plant & machinery) with 25% margin amounting to Rs. 267 million.

|   | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|------|----------------|----------------|
| 25. LEASE LIABILITIES                                 |      |                |                |
| Secured   |      |                |                |
| Against right of use assets                           |      |                |                |
| Lease liabilities                                     | 25.1 | 11,698,208     | 10,704,121     |
| Less: Current portion shown under current liabilities | 32   | (5,342,250)    | (3,912,132)    |
|   |      | 6,355,958      | 6,791,989      |

25.1 Movement of lease liabilities is as follows:

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Opening                            | 10,704,121  | 1,520,453   |
| Add: Recognized during the year    | 4,086,550   | 10,913,300  |
| Add: Interest expense for the year | 1,167,450   | 712,196     |
| Less: Payment made during the year | (4,259,913) | (2,441,828) |
| Closing                            | 11,698,208  | 10,704,121  |

|   | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|------|----------------|----------------|
| <b>25.2 Maturity analysis-contractual undiscounted cash flows</b> |      |                |                |
| Maturity analysis-contractual undiscounted cash flow              |      |                |                |
| Less than one year  |      | 5,342,250      | 4,608,152      |
| One to five year  |      | 6,355,958      | 7,190,102      |
| More than five year   |      | -              | -              |
| Total undiscounted lease liability                                |      | 11,698,208     | 11,798,254     |

**25.3** When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which range from 9.03% to 17.02% per annum. (2021: 8.64% to 9.03%)

**25.4** The lease facility has been obtained from Bank Al Habib Limited. The assets is owned by the Bank. The above liabilities were obligations under leases with bank for lease of vehicles. This includes lease liabilities against one vehicle which has not been delivered to the Company as at September 30, 2022.

|   | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|------|----------------|----------------|
| <b>26. DEFERRED LIABILITIES</b>   |      |                |                |
| Deferred taxation   | 26.1 | 409,110,583    | 369,590,877    |
| Provision for gratuity  | 26.3 | 11,541,454     | 7,705,659      |
|   |      | 420,652,037    | 377,296,536    |
| <b>26.1 Deferred taxation</b>   |      |                |                |
| Deferred tax liability comprises as follows:  |      |                |                |
| Taxable temporary differences   |      |                |                |
| Surplus on revaluation of fixed assets  |      | 258,205,550    | 260,848,768    |
| Tax depreciation allowances   |      | 150,905,033    | 108,742,109    |
|   |      | 409,110,583    | 369,590,877    |
| <b>26.2</b> The gross movement in the deferred tax liability during the year is as follows: |      |                |                |
| Balance as at October 01,   |      | 369,590,877    | 373,411,635    |
| Charged to statement of profit or loss  | 41   | 25,799,606     | (3,820,758)    |
| Charged to other comprehensive income   |      | 13,720,100     | -              |
|   |      | 409,110,583    | 369,590,877    |

**26.2.1** As at September 30, 2022, deferred tax asset amounting Rs. 558.141 million (2021: Rs. 404.013 million) on unused tax losses, minimum tax and gratuity have not been recognised in the financial statements as a matter of prudence as in the opinion of the management there is no certainty regarding realisability of the amount. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2022. The loss can be carry forwarded upto 5 years.



## 26.3 Provision for gratuity

### 26.3.1 General description

The scheme provides for termination benefits for all its permanent employees who qualify for the scheme. The defined benefit payable to each employee at the end of his service comprises of total number of years of his service multiplied by last drawn basic salary. The Gratuity scheme is a un-funded arrangement. There is no minimum funding requirement for gratuity benefit scheme. The gratuity benefit scheme is a defined benefit scheme.

Annual charge is based on actuarial valuation carried out by an independent approved valuer M/s TRT Associates as at September 30, 2022 using the Projected Unit Credit method.

The Company faces the following risks on account of gratuity:

The main risk of gratuity benefit scheme is that the accrued benefits may not be paid when they fall due. The gratuity benefit liability reflected in the Company's accounts provides a reasonable security of the accrued rights because it is likely that the accrued gratuity benefits could be considered as high priority debt in case of insolvency of the sponsor.

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. The present value of the defined benefit liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the liability and vice versa.

Discount rate fluctuation - The present value of the defined benefit liability is calculated using a discount rate determined by reference to the market yields at the end of the reporting period on high quality corporate bonds, or where there is no deep market in such bonds, by reference to market yields on government bonds. Currencies and terms of bond yields used must be consistent with the currency and estimated term of the post-employment benefit obligations being discounted. A decrease in bond interest rates will increase the liability, and vice versa.

Demographic Risks: Mortality Risk - The present value of the defined benefit liability is calculated by reference to the best estimate of the mortality of plan participants during employment. An improvement in the mortality rates of the participants may increase/decrease the liability and vice versa depending on the age-service distribution of the exiting employees.

Withdrawal Risk - The present value of the defined benefit liability is calculated by reference to the best estimate of the withdrawal rate / attrition rate of plan participants. As such, an increase in the withdrawal rate may increase/decrease the liability and vice versa depending on the age-service distribution of the exiting employees.

### 26.3.2 Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

|   | 2022<br>Percentage<br>Per annum | 2021<br>Percentage |
|---|---------------------------------|--------------------|
| Discount rate   | 13.50                           | 10.50              |
| Expected rate of increase in salary                       | 12.50                           | 9.50               |
| Expected average remaining working life time of employees | 8 years                         | 7 years            |

|   | Note   | 2022<br>Rupees | 2021<br>Rupees |
|---|--------|----------------|----------------|
| <b>26.3.3 Reconciliation of payable to defined benefit plan</b>   |        |                |                |
| Present value of obligation   |        |                |                |
| Liability recognized in balance sheet   |        | 11,541,454     | 7,705,659      |
| <b>26.3.4 Movement of the liability recognized in the statement of financial position</b>   |        |                |                |
| Opening net liability   |        | 7,705,659      | 2,761,963      |
| Charge for the year   | 26.3.6 | 5,532,233      | 5,525,822      |
| Remeasurement chargeable to other comprehensive income  | 26.3.8 | (868,139)      | 147,950        |
| Benefit paid during the year  |        | (828,299)      | (730,076)      |
| Closing net liability   |        | 11,541,454     | 7,705,659      |
| <b>26.3.5 Movement in present value of defined benefit obligations</b>  |        |                |                |
| Present value of obligation at the start of the year  |        | 7,705,659      | 2,761,963      |
| Current service cost  |        | 4,766,628      | 4,309,495      |
| Past service cost   |        | -              | 982,630        |
| Interest cost   |        | 765,605        | 233,697        |
| Remeasurements:   |        |                |                |
| Actuarial (gain)/losses from changes in financial assumption  |        | (868,139)      | 4,475          |
| Experience adjustments  |        | -              | 143,475        |
| Benefit paid during the year  |        | (828,299)      | (730,076)      |
| Closing present value of defined benefit obligations  |        | 11,541,454     | 7,705,659      |
| <b>26.3.6 Charge for the year</b>   |        |                |                |
| Current service cost  |        | 4,766,628      | 4,309,495      |
| Past service cost   |        | -              | 982,630        |
| Interest cost   |        | 765,605        | 233,697        |
| Charge for the year   |        | 5,532,233      | 5,525,822      |
| <b>26.3.7 The expected charge in respect of defined benefit plan for the year ending September 30, 2023 will be 5.98 million.</b> |        |                |                |
| <b>26.3.8 Total remeasurement charge in other comprehensive income</b>  |        |                |                |
| Remeasurement of plan obligation  |        |                |                |
| Actuarial (gain)/losses from changes in demographic assumption  |        | -              | -              |
| Actuarial (gain)/losses from changes in financial assumption  |        | (868,139)      | 4,475          |
| Experience adjustment   |        | -              | 143,475        |
|   |        | (868,139)      | 147,950        |

### 26.3.9 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

|                           | 2022<br>Rupees | 2021<br>Rupees |
|---------------------------|----------------|----------------|
| Discount rate + 100 bps   | 10,658,470     | 7,187,268      |
| Discount rate - 100 bps   | 12,497,864     | 8,261,558      |
| Salary increase + 100 bps | 12,497,587     | 8,261,376      |
| Salary increase - 100 bps | 10,658,339     | 7,187,179      |

### 26.3.10 Maturity profile

| Time in year |               |               |
|--------------|---------------|---------------|
| 1            | 880,984       | 440,492       |
| 2            | 4,566,752     | 2,283,376     |
| 3            | 6,408,981     | 2,136,327     |
| 4            | 12,279,024    | 3,069,756     |
| 5-11 onwards | 7,034,047,956 | 1,172,341,326 |

The average duration of the defined benefit obligation is 8 years.

### 26.3.11 Year wise comparison is as follows:

|   | 2022       | 2021      | 2020      | 2019   | 2018      |
|---|------------|-----------|-----------|--------|-----------|
|   |            |           | Rupees    |        |           |
| Present value of defined benefit obligation | 11,541,454 | 7,705,659 | 2,761,963 | 89,033 | 3,661,253 |
| Experience adjustment on obligation         | -          | 143,475   | (151,708) | -      | (617,565) |

## 27. TRADE AND OTHER PAYABLES

|                                     | Note | 2022<br>Rupees     | 2021<br>Rupees     |
|-------------------------------------|------|--------------------|--------------------|
| Trade creditors                     |      | 112,474,695        | 113,836,697        |
| Accrued liabilities                 |      | 19,914,296         | 25,270,101         |
| Advances from customers (unsecured) | 27.2 | 73,494,312         | 255,302,967        |
| Workers Profit Participation Fund   | 27.3 | 2,723,310          | 11,306,963         |
| Workers Welfare Fund                | 27.6 | 3,578,937          | 3,578,937          |
| Taxes and duties payable            |      | 954,225            | 6,364,290          |
| Sales tax payable                   |      | 50,152,825         | 831,112            |
| Other liabilities                   |      | 30,536             | 30,536             |
|                                     |      | <u>263,323,136</u> | <u>416,521,603</u> |

27.1 As the reporting date there is no payable balance to related parties. The maximum amount due to Thal Industries Corporation Limited and Al-Moiz Industries Limited at the end of any month during the year was Rs. 5.330 million (2021: Rs. 9.482 million) and Rs. 7.09 million (2021: Rs. 9.600 million), respectively.

27.2 The advance from customers' balances includes an amount of Rs. 0.0142 million (2021: Rs. 236.65 million), trade creditors includes an amount of Rs. 28.785 million and accrued liabilities includes an amount of Rs. 12.744 million respectively, which are long outstanding at the reporting date are adjustable against the payment to be made to the Sponsor Sellers as per agreement. However, due to un-availability of third party confirmation, on produce basis these balance have not been adjusted and the Company will complete the due legal process before adjusting these balances. During the year an amount of Rs. 236.634 million (2021: Rs. 103.549) has been written back based on confirmations received from the relevant parties mentioning that no balance is owed from the Company. During the year, the performance obligations underlying the opening contract liability of Rs. 18.654 million were satisfied in full. Accordingly, the said liability was recorded as revenue during the year. In addition, information regarding the timing of satisfaction of performance obligations underlying the closing contract liability of Rs. 73.494 million is not presented since the expected duration of all the contracts entered into with the customers is less than one year.

|  | Note | 2022<br>Rupees  | 2021<br>Rupees   |
|--|------|-----------------|------------------|
| <b>27.3 Workers' Profit Participation Fund</b> |      |                 |                  |
| Balance as at October 01,                      |      | 11,306,963      | 2,131,256        |
| Interest at prescribed rate                    | 27.5 | 918,713         | 228,364          |
| Less: Amount paid to fund                      |      | (9,502,366)     | -                |
|  |      | <hr/> 2,723,310 | <hr/> 2,359,620  |
| Current year's allocation at 5%                | 38   | -               | 8,947,343        |
|  |      | <hr/> 2,723,310 | <hr/> 11,306,963 |

27.4 The Company retains the allocation of this fund for its business operations till the amounts are paid.

27.5 Interest on Workers' profit (participation) fund has been provided at the rate of 15.40% (2021: 10.72%).

|   | Note | 2022<br>Rupees  | 2021<br>Rupees  |
|---|------|-----------------|-----------------|
| <b>27.6 Workers' Welfare Fund</b>             |      |                 |                 |
| Balance as at Oct 01,                         |      | 3,578,937       | -               |
| Interest at prescribed rate                   |      | -               | -               |
| Less: Amount paid to fund                     |      | -               | -               |
|   |      | <hr/> 3,578,937 | <hr/> 3,578,937 |
| Current year's allocation at 2%               |      | -               | -               |
|   |      | <hr/> 3,578,937 | <hr/> 3,578,937 |
| <b>28. DUE TO PATTOKI SUGAR MILLS LIMITED</b> |      |                 |                 |
| Unsecured:                                    |      |                 |                 |
| Pattoki Sugar Mills Limited (PSML)            | 28.1 | 16,656,242      | 14,426,698      |

|  | Note  | 2022<br>Rupees | 2021<br>Rupees |
|--|---|----------------|----------------|
| <b>28.1</b>  | <b>Movement of amount due to Pattoki Sugar Mills Limited (PSML) is as follow:</b> |                |                |
| Opening balance  |   | 14,426,698     | 43,829,685     |
| Add: Acquired during the year                                |   | -              | -              |
| Add: Adjustment made during the year                         |   | 2,836,544      | -              |
| Less: Expenses paid on behalf of PSML                        |   | (607,000)      | (1,550,000)    |
| Less: Sales tax paid to Government and adjusted against PSML |   | -              | (16,122,797)   |
| Less: Loan repaid on behalf of PSML                          |   | -              | -              |
| Less: Repaid during the year                                 |   | -              | (11,730,190)   |
| Closing balance  |   | 16,656,242     | 14,426,698     |

**28.2** This represents balance payable to M/s Pattoki Sugar Mills Limited (PSML) - the ex holding company as settlement balance. During the year, the Company has paid legal expenses in respect of old cases and made the adjustment of balance payable to PSML.

|                                       | Note                        | 2022<br>Rupees | 2021<br>Rupees |
|---------------------------------------|-----------------------------|----------------|----------------|
| <b>29.</b>                            | <b>SHORT TERM BORROWING</b> |                |                |
| Secured:                              |                             |                |                |
| Banking companies                     |                             |                |                |
| Cash Finance (Conventional financing) |                             |                |                |
| Bank Al Habib Limited                 | 29.1                        | 379,999,462    | -              |
| Short term Financing (STF)            |                             |                |                |
| Bank Al Habib Limited                 | 29.3                        | 50,000,000     | -              |
| Running Finance                       |                             |                |                |
| Bank Al Habib Limited                 | 29.4                        | 10,006,458     | 20,295,945     |
|                                       |                             | 440,005,920    | 20,295,945     |

**29.1** This represents cash finance facility under the conventional financing arrangement from Bank Al Habib Limited aggregated to Rs. 500 million (2021: Rs.500 million) and carries mark-up at the rate one month KIBOR plus 0.75% per annum (2021: one month KIBOR plus 0.75% per annum) on utilized limits. This facility is secured against white refined sugar bags at 22% margin, personal guarantees of the directors and subordination of loan from directors.

**29.2** During the year the Company had availed cash finance facilities from various banks aggregated to Rs. 2,500 million (2021 Rs. 1,600 million) that carries mark-up which range from one month KIBOR to six month KIBOR plus 0.75% to 2% per annum (2021: one month KIBOR to six month KIBOR plus 0.75% to 2% per annum) on utilized limits. These facilities were secured against pledge of white refined sugar bags at 5% to 25% margin, personal guarantees of the directors and subordination of loan from directors. During the year these have been fully paid.

**29.3** This represents the financing facility for procurement and supply of agricultural inputs to growers of the Company aggregated to Rs. 200 million (2021: Nil). This facility carries the markup at the rate of relevant KIBOR plus 1% p.a. This facility is secured against the personal guarantees of directors, corporate guarantees of M/s Al- Moiz Industries Limited (Associated Company), subordination of directors loan and pari passu charge over present and future fixed assets of the Company.

**29.4** During the year the Company had availed a running finance facility from Bank Al Habib Limited aggregated to Rs. 50 million (2021: Rs. 50 million) and carries mark-up at the rate of one month KIBOR plus 0.75% (2021: same) on utilized limits. This facility was secured against all present and future current assets of the Company for Rs. 67 million and personal guarantees of the directors.

|   | Note | 2022<br>Rupees     | 2021<br>Rupees     |
|---|------|--------------------|--------------------|
| <b>30. MARK UP ACCRUED</b>                          |      |                    |                    |
| Secured   |      |                    |                    |
| Long term financing from associated company         |      | 264,084,254        | 247,480,391        |
| Long term financing                                 |      | 12,254,230         | -                  |
| Short term borrowings                               |      | 21,896,925         | 12,147             |
| Mark-up on lease                                    |      | 211,513            | 117,790            |
|   |      | <u>298,446,922</u> | <u>247,610,328</u> |
| <b>31. TAXATION - NET</b>                           |      |                    |                    |
| Opening balance                                     |      | 7,169,497          | -                  |
| Advance income tax                                  |      | 81,325,883         | 55,191,977         |
| Less: Provision for taxation                        | 41   | (48,838,233)       | (48,022,480)       |
| Transferred to tax refunds due from the Government  |      | (7,579,209)        | -                  |
| Prior year adjustment                               |      | 409,712            | -                  |
| Net asset/ (liability)                              |      | <u>32,487,650</u>  | <u>7,169,497</u>   |
| <b>32. CURRENT PORTION OF LONG TERM LIABILITIES</b> |      |                    |                    |
| Liabilities against assets subject to finance lease | 25   | 5,342,250          | 3,912,132          |
| Long term loans                                     | 24   | 178,326,732        | -                  |
| Loan from associated company                        | 23   | -                  | 300,000,000        |
|   |      | <u>183,668,982</u> | <u>303,912,132</u> |

### 33. CONTINGENCIES AND COMMITMENTS

#### 33.1 Contingent liabilities

- a) The LTU-FBR has preferred a reference before Income Tax Appellate (ITAT) for the assessment year 1996 - 1997 against the decision of CIT appeals. The department has also filed petition for leave to appeal before the honorable Supreme Court of Pakistan for the assessment year 1999 - 2000 and tax year 2006 against the order in the favour of the company by the honorable High Court of Sindh.

In the opinion of the tax advisor the ultimate appellate decision is likely to be in Company's favour, hence no provision is made in these accounts as there will be no tax impact of the matter in view of brought forward tax losses. In view of the favorable decision of the higher appellate forums on the like issue in prior years the management is hopeful about favorable outcome in above matters. Hence no provision is made in these account as there will be no tax impact of the matter in view of brought forward losses. The figures are not quantifiable due to old cases.

- b) The Company has filed reference application before the Honorable High Court of Sindh against the decision of ITAT in respect of assessment year 2000 - 2001, the reference application is pending before the honorable High Court Sindh. The Company has also filed the appeal before the Commissioner of income tax appeals against addition made by the assessing officer for the assessment year 2002 - 2003 which is pending for adjudication. In view of the favorable decision of the higher appellate forums on the like issue in prior years the management is hopeful about favorable outcome in above matters. Hence no provision is made in these account as there will be no tax impact of the matter in view of brought forward losses. The figures are not quantifiable due to old cases.

- c) The Company has filed an appeal before the Tribunal against the order of Commissioner Inland Revenue disallowing refund of further tax on the ground that the incidence of the tax has been passed on the consumers and the Company is not entitled to claim refund in terms of Section 3 (B) of the sales Tax Act, 1990. The management of the Company is of the view that outcome of the suit would be in favour of the Company.
- d) Demand amounting to Rs. 3.825 million has been created by DCIR vide order dated November 03, 2017 against the Company for adjustment of input tax. The Company being aggrieved filed input tax rectification application. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 3.825 million (2021: Rs. 3.825 million).
- e) Demand amounting to Rs. 2.528 million has been created by DCIR vide order dated November 07, 2018 against the Company for adjustment of input tax for the period of January 2018. The Company being aggrieved filed input tax rectification application. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 2.528 million (2021: Rs. 2.528 million).
- f) Demand amounting to Rs. 12.648 million has been created by DCIR vide order dated December 16, 2018 against the Company for adjustment of input tax for the period of February 2018. The Company being aggrieved filed input tax rectification application. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 12.648 million (2021: Rs. 12.648 million).
- g) Demand amounting to Rs. 9.894 million has been created by DCIR vide order dated December 20, 2018 against the Company for adjustment of input tax for the period of March 2018. The Company being aggrieved filed input tax rectification application. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 9.894 million (2021: Rs. 9.894 million).
- h) Demand amounting to Rs. 41.616 million has been created by DCIR vide order dated August 04, 2017 against the Company on account of sales tax audit for the tax year 2014 and certain amounts were held recoverable. The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case for fresh adjudication. Thereafter in fresh proceedings an amount of Rs. 3.416 million has been established vide order dated March 28, 2019. This has also been challenged before CIR Appeals. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 3.416 million (2021: Rs. 3.416 million).
- i) Demand amounting to Rs. 10.137 million has been created by DCIR vide order dated November 12, 2018 against the Company on account of inadmissible input tax adjustment for the period July 2016 to November 2017. The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case for fresh adjudication. The case decided against the Company and an amount of Rs. 10.211 million has been paid to the Department under protest and also appeal has been filed against this order. The Company expects a favorable outcome of the proceedings.
- j) As per SRO of 77(1) / 2013 dated February 07, 2013, the Federal Government allowed reduced rate@0.5% FED on local sales of white crystalline sugar equivalent to the quantity actually exported by the sugar manufacturer as per quota allotted. Sales tax and Federal Excise returns for the tax periods from November 2013 to June 2014 were analysed by the Commissioner Inland Revenue and it was observed that registered person had declared local sales on which Company was required to charge and pay FED @ 8% in VAT mode under the provision of section 3 and 7 of the Federal Excise Act, 2005. The Commissioner Inland Revenue created a demand amounting to Rs. 65.084 million along with default surcharge and penalty of Rs. 3.254 million on short payment of FED based on that Company charged and paid FED at the rate of 0.5% without fulfilling the conditions as mentioned in SRO 77(1) 2013. Being aggrieved with the order passed by the Deputy Commissioner Inland Revenue, the Company preferred appeal before the Commissioner Inland Revenue (Appeals-I), Karachi.

The CIR (A) vide order in appeal No. STA/91/LTU/2019/09 vacated order of Deputy Commissioner and passed order in favour of the Company. The department has filed an appeal against this order to Appellate Tribunal IR. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 68.338 million.

- k) As per SRO of 77(1) / 2013 dated February 07, 2013 read with the SRO 1072 (1) / 2013 dated December 27, 2013, the Federal Government allowed reduced rate@0.5% FED on local sales of white crystalline sugar equivalent to the quantity actually exported by the sugar manufacturer as per quota allotted by the ECC in its meeting held on January 10, 2013. Sales tax and Federal Excise returns for the tax periods from February 2013 to October 2013 were analysed by the Commissioner Inland Revenue and it was observed that registered person had declared local sales on which Company was required to charge and pay FED @ 8% in VAT mode under the provision of section 3 and 7 of the Federal Excise Act, 2005.

The Commissioner Inland Revenue created a demand amounting to Rs. 15.393 million along with default surcharge and penalty of Rs. 0.769 million on short payment of FED based that Company charged and paid FED at the rate of 0.5% without fulfilling the conditions as mentioned in SRO 77(1) 2013. Being aggrieved with the order passed by the Deputy Commissioner Inland Revenue, the Company preferred appeal before the Commissioner Inland Revenue (Appeals-I), Karachi. The CIR (A) vide order in appeal No. STA/90/LTU/2019/06 vacated order of Deputy Commissioner and passed order in favour of the Company. The department has filed an appeal against this order to Appellate Tribunal IR. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 16.163 million (2021: Rs. 16.163 million).

- l) Demand amounting to Rs. 10.163 million has been created by DCIR against the Company on account of some discrepancies were observed in the sales tax returns for the period from July 2016 to November 2017. The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case for fresh adjudication. Thereafter in fresh proceedings an amount of Rs. 10.163 million has been demanded by DCIR. This has also been challenged before CIR Appeals. The CIR (A) vide order in Appeal No. STA/40/LTU/2019/07 dated September 26, 2019 annulled order of DCIR. Being aggrieved with the order department has filed second appeal to Appellate Tribunal IR. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 10.163 million (2021: Rs. 10.163 million).
- m) Income tax Audit for Tax Year 2015, 2016, 2017, 2018 and 2019 u/s 177 of Income Tax Ordinance, 2001 were selected by Commissioner Income Tax through his discretionary powers vested under this section. The DCIR has created a demand amounting to Rs. 7,606.899 million against all these years. The Company has challenged it before CIR (Appeals) which is pending for adjudication. The Company is confident of favourable outcome.
- n) Sales tax Audit for Tax Year 2017, 2018 and 2019 u/s 25 of Sales Tax Act, 1990 were selected by Commissioner Income Tax through his discretionary powers vested under this section. The DCIR has requested information in this regard and the Company has obtained stay order from Honourable High Court of Sindh, Karachi.
- o) The Company has received two orders for Tax Year 2015, and 2016 under section 161(1A). The DCIR has created a demand amounting to Rs. 23.02 million along with surcharge against all these years. The Company has challenged it before CIR (Appeals) which is pending for adjudication. The Company is confident for favourable outcome.
- p) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits, salaries and others related matters. The claims amount cannot be quantified due to nature of the claims.
- q) The Competition Commission of Pakistan (CCP) initiated the inquiry against all the sugar mills due to price hike based on export of Sugar. CCP decided the case against the sugar mills and imposed penalty on all the



sugar mills and Sugar Mills Association amounting to Rs. 44 billion. As per CCP decision maximum penalty of Rs. 8.512 million was imposed on the Company. According to majority of lawyers, the CCP decision was based on veto powers used by the chairman of committee which is bad in law and cannot hold in superior courts. The Company along with others sugar industries filed a petition against this decision in the higher courts. The Honorable Court has granted a stay to the Company against this penalty.

- r) The FBR had opened the proceedings against the Company u/s 161/205 for the tax year 2018. The department has raised the demand of Rs. 17.585 million. Being aggrieved from the decision of the assessing officer, the Company had filed an appeal against the said order in Inland Revenue Appellate Tribunal. The Company is confident to defend the case.
- s) The FBR had opened the proceeding against the Company u/s 161/205 for the tax year 2019. The department has raised the demand of Rs. 12.546 million. Being aggrieved from the decision of the assessing officer, the Company had filed an appeal against the said order in Inland Revenue Appellate Tribunal. The Company is confident to defend the case.
- t) The FBR issued an assessment order against the Company under the Sales Tax Act, 1990 by mentioning that the Company had claimed Input tax in violation of Section 8 of the Act, and raised a liability of Rs. 25.322 million. Being aggrieved from the decision of the assessing officer, the Company had filed an appeal before the CIR (A). The Company is confident to defend the case on the basis of legal grounds available in the law.
- u) The Company has received notice under section 254 of the Companies Act, 2017 and directors have also received a notice pursuant to section 111(b) of the Securities Act, 2015 which have been responded. The Company and directors are not expecting any further unpleasant correspondence in this regard.

### 33.2 Commitments

- a) The Company is committed as at the balance sheet date in respect of capital expenditure of Rs. 2.681 million (2021: 60.00 million).
- b) The amount of future lease rentals on vehicle contract and the period in which payments will become due are as follows:

|                            | Note | 2022<br>Rupees    | 2021<br>Rupees    |
|----------------------------|------|-------------------|-------------------|
| Less than one year         | 25.2 | 5,342,250         | 4,608,152         |
| Between one and five years | 25.2 | 6,355,958         | 7,190,102         |
| More than five years       |      | -                 | -                 |
|                            |      | <u>11,698,208</u> | <u>11,798,254</u> |

|                       | Note | 2022<br>Rupees | 2021<br>Rupees |
|-----------------------|------|----------------|----------------|
| <b>34. SALES</b>      |      |                |                |
| Sales                 |      |                |                |
| Manufacturing - local |      |                |                |
| Sugar                 | 34.1 | 3,893,668,264  | 4,010,059,852  |
| By products sales:    |      |                |                |
| Molasses              | 34.2 | 596,765,337    | 456,225,170    |
| Bagasse               |      | 31,043,630     | -              |
| V.F.Cake              |      | 23,464,779     | 14,851,836     |
|                       |      | 651,273,746    | 471,077,006    |
| Less: Sales tax       |      |                |                |
| Sugar                 |      | (578,660,610)  | (582,659,297)  |
| Molasses              |      | (19,649,693)   | (32,158,359)   |
| Bagasse               |      | (4,510,611)    | -              |
| V.F.Cake              |      | (3,409,419)    | (2,157,958)    |
|                       |      | (606,230,333)  | (616,975,614)  |
|                       |      | 3,938,711,677  | 3,864,161,244  |

**34.1** The sales includes an amount of Rs. 1,377.915 million (2021: Nil) which has been made to an associated company, Naubahar Bottling Company (Private) Limited on prevailing market rates.

|   | Note | 2022<br>Rupees | 2021<br>Rupees |
|---|------|----------------|----------------|
| <b>34.2 Molasses:</b>                     |      |                |                |
| Sale under                                |      |                |                |
| DTRE (Duty & Tax Remission for Exporters) |      | 461,529,211    | 234,900,000    |
| Others                                    |      | 135,236,126    | 221,325,170    |
|   |      | 596,765,337    | 456,225,170    |

|                                     |      |               |               |
|-------------------------------------|------|---------------|---------------|
| <b>35. COST OF SALES</b>            |      |               |               |
| Cane purchases and expenses thereon |      | 3,888,910,744 | 2,932,016,764 |
| Other overheads:                    |      |               |               |
| Stores, spares and consumables      |      | 27,062,895    | 7,545,412     |
| Packing materials consumed          |      | 35,876,616    | 21,376,587    |
| Chemicals consumed                  |      | 43,178,461    | 15,202,520    |
| Salaries, wages and other benefits  | 35.1 | 166,084,009   | 138,340,703   |
| Fuel and power                      |      | 33,110,131    | 16,972,590    |
| Repair and maintenance              |      | 208,679,614   | 127,228,980   |
| Depreciation                        | 8.8  | 101,357,186   | 90,607,320    |
| Vehicle running expenses            |      | 7,695,373     | 5,159,401     |
| Fee and subscription                |      | 169,025       | 60,000        |
| Insurance                           |      | 1,707,141     | 56,438        |
| Other factory overheads             |      | 8,351,130     | 6,261,557     |
|                                     |      | 633,271,581   | 428,811,508   |
| Work in process                     |      |               |               |
| Opening                             |      | 4,301,029     | 4,882,467     |
| Closing                             | 12   | (5,413,703)   | (4,301,029)   |
|                                     |      | (1,112,674)   | 581,438       |
| Cost of goods manufactured          |      | 4,521,069,651 | 3,361,409,710 |
| Finished goods                      |      |               |               |
| Opening                             |      | 35,397        | 252,091,911   |
| Closing                             | 12   | (530,146,487) | (35,397)      |
|                                     |      | (530,111,090) | 252,056,514   |
|                                     |      | 3,990,958,561 | 3,613,466,224 |

**35.1** This amount includes Rs. 3.429 million (2021: Rs. 3.481 million) in respect of employees' retirement benefits.

|  | Note | 2022<br>Rupees    | 2021<br>Rupees    |
|--|------|-------------------|-------------------|
| <b>36. SELLING AND DISTRIBUTION EXPENSES</b> |      |                   |                   |
| Salaries, wages and other benefits           | 36.1 | 3,704,253         | 3,192,992         |
| Stacking, restacking and carriage            |      | 12,288,307        | 6,882,931         |
| Insurance                                    |      | 1,120,008         | 646,727           |
| Commission on sale of sugar                  |      | 2,790,200         | 3,801,000         |
|  |      | <u>19,902,768</u> | <u>14,523,650</u> |

**36.1** This amount includes Rs. 0.074 million (2021: Rs. 0.055 million) in respect of employees' retirement benefits.

### **37. GENERAL AND ADMINISTRATIVE EXPENSES**

|                                    |      |                    |                   |
|------------------------------------|------|--------------------|-------------------|
| Salaries, wages and other benefits | 37.1 | 69,329,989         | 55,268,351        |
| Director's meeting fee             |      | 300,000            | -                 |
| Traveling and conveyance           |      | 232,170            | 84,816            |
| Rent, rates and taxes              |      | 288,000            | 241,500           |
| Telephone and postage              |      | 995,113            | 966,418           |
| Printing and stationery            |      | 1,931,927          | 1,279,175         |
| Fee and subscription               |      | 4,937,561          | 2,409,841         |
| Insurance                          |      | 2,460,671          | 2,142,089         |
| Repair and maintenance             |      | 7,044,905          | 4,112,539         |
| Vehicle running expenses           |      | 4,707,210          | 2,925,721         |
| Entertainment                      |      | 1,972,031          | 1,519,523         |
| Legal and professional charges     |      | 3,449,913          | 3,758,906         |
| Charity and donations              | 37.2 | 82,500             | -                 |
| Depreciation                       | 8.8  | 3,373,072          | 2,723,439         |
| Miscellaneous                      |      | 1,677,827          | 1,893,123         |
|                                    |      | <u>102,782,889</u> | <u>79,325,441</u> |

**37.1** This amount includes Rs. 2.029 million (2021: Rs. 1.989 million) in respect of employees' retirement benefits.

#### **37.2 Donations**

This represents amounts paid for flood relief activities. Donations were not made to any donee in which any director of the Company or his spouse had any interest at any time during the year.

|  | Note | 2022<br>Rupees | 2021<br>Rupees |
|--|------|----------------|----------------|
| <b>38. OTHER OPERATING EXPENSES</b>      |      |                |                |
| Auditors' remuneration                   |      |                |                |
| Audit fee                                |      | 605,000        | 550,000        |
| Half yearly review fee                   |      | 303,750        | 307,500        |
| Review of code of corporate governance   |      | 75,000         | 50,000         |
| Certifications                           |      | 50,000         | -              |
| Out of pocket expenses                   |      | 45,000         | 25,000         |
|  |      | 1,078,750      | 932,500        |
| Cost audit fee                           |      | 157,500        | -              |
| Provision for doubtful receivables       | 38.1 | 105,742,500    | -              |
| Provision for obsolete stores and spares |      | 1,000,000      | -              |
| Workers' Profit Participation Fund       |      | -              | 8,947,343      |
| Workers' Welfare Fund                    |      | -              | 3,578,937      |
|  |      | 107,978,750    | 13,458,780     |

**38.1** This represents provision for doubtful subsidy on export and advance during the year on prudence basis as chances of recoveries are remote.

### 39. OTHER INCOME

|  |      |             |             |
|--|------|-------------|-------------|
| Income from financial assets               |      |             |             |
| Profit on investment                       |      | 311,741     | 418,375     |
| Profit on bank deposit                     |      | 12,534,220  | -           |
|  |      | 12,845,961  | 418,375     |
| Income from non-financial assets           |      |             |             |
| Gain on sale of fixed assets               | 8.9  | -           | 3,639,229   |
| Margin charged on agri products            | 39.1 | 11,049,092  | 6,092,638   |
| Sale of scrap                              |      | 60,652,782  | 24,617,126  |
| Liabilities no longer payable written back | 39.2 | 236,634,124 | 103,548,738 |
|  |      | 308,335,998 | 137,897,731 |
|  |      | 321,181,959 | 138,316,106 |

**39.1** This represents rate difference / margin charged to cane growers on provision of fertilizers and seeds.

**39.2** This includes advance from customers amounting to Rs. 236.634 million (2021: Rs. 103.549 million) written back for excess balances which are confirmed to be no longer payable.

### 40. FINANCIAL CHARGES

|                                    |  |             |             |
|------------------------------------|--|-------------|-------------|
| Mark-up / interest on:             |  |             |             |
| Short term financing               |  | 154,217,917 | 51,211,294  |
| Loan from associated company       |  | 16,603,863  | 62,811,170  |
| Long term loan from banks          |  | 32,495,693  | -           |
| Worker's profit participation fund |  | 918,713     | 228,364     |
| Lease                              |  | 1,167,450   | 712,196     |
|                                    |  | 205,403,636 | 114,963,024 |
| Bank charges and commission        |  | 526,474     | 319,660     |
|                                    |  | 205,930,110 | 115,282,684 |

|                        | Note | 2022<br>Rupees    | 2021<br>Rupees    |
|------------------------|------|-------------------|-------------------|
| <b>41. TAXATION</b>    |      |                   |                   |
| Current                | 41.1 | 48,838,233        | 48,022,480        |
| Prior year adjustments |      | (420)             | -                 |
| Deferred tax           | 26.2 | 25,799,606        | (3,820,758)       |
|                        |      | <u>74,637,419</u> | <u>44,201,722</u> |

**41.1** As the tax charge represent minimum tax (turnover) under the income Tax Ordinance, 2001, numerical reconciliation between the average effective tax rate and the applicable tax rate is not prepared and presented.

**41.2** The rate of tax has been fixed at 29% for Tax Year 2022 and onwards by taxation authorities.

**41.3 Comparison of tax provision against tax assessments**

| Years   | Note | Excess/<br>(Short) | Tax<br>provision<br>(Rupees) | Tax assessment /<br>tax return |
|---------|------|--------------------|------------------------------|--------------------------------|
| 2020-21 | 41.4 | -                  | 48,022,480                   | 48,022,480                     |
| 2019-20 | 41.4 | -                  | 24,408,193                   | 24,408,193                     |
| 2018-19 | 41.4 | (24,990)           | 1,824,111                    | 1,849,101                      |

**41.4** Minimum tax for tax year 2017, 2018, 2019 and 2020 of Rs. 47.191 million, Rs. 62.772 million, Rs. 1.849 million and Rs. 2.512 million was fully adjusted against the tax credits under section 65B. The Company has claimed tax credit at the rate of 10% for tax year 2019 based on the appeals filed by the general Industry in the Courts.

**41.5** As at September 30, 2022, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in the financial statements for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

**42. ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 7. Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:

**a) Income taxes**

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 7.10 to these financial statements.

**b) Defined benefit plan**

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 26.3) for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

**c) Property, plant and equipment**

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis.

Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. As explained in note 8 to these financial statements, the Company has revalued its free hold land as on September 30, 2022.

**d) Stores and spares**

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

**e) Financial instruments**

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

**f) Provision for doubtful receivables**

The Company uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

**g) Fair value measurement**

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Establishment's financial and non- financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilised are (the fair value hierarchy):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

**h) Provision and contingencies**

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date.

**i) Impairment of assets**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

**j) Stock-in-trade**

The Company reviews the carrying amount of stock-in-trade on a regular basis. Carrying amount of stock in-trade is adjusted where the net realizable value is below the cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

#### 43. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of ultimate parent company and parent company, associated companies and directors of the Company. Significant transactions and balances with related parties, other than those disclosed elsewhere in these financial statements are as follows:

| Name of parties                             | Nature of relationship   | Nature of transactions             | September 30, 2022           |                 | September 30, 2021           |                 |
|---|--------------------------|------------------------------------|------------------------------|-----------------|------------------------------|-----------------|
|   |                          |                                    | Transactions during the year | Closing balance | Transactions during the year | Closing balance |
|   |                          |                                    | ----- Rupees -----           |                 |                              |                 |
| Naubahar Bottling Company (Private) Limited | Associated Company       | Sale of sugar                      | 1,377,915,000                | -               | -                            | -               |
|   |                          | Paid / received / adjustment (net) | 1,377,915,000                | -               | -                            | -               |
|   |                          | Long term loans                    | -                            | -               | -                            | 600,000,000     |
|   |                          | Long term loans - paid/adjusted    | 600,000,000                  | 264,084,254     | 300,000,000                  | -               |
|   |                          | Mark-up payable                    | -                            | -               | -                            | 247,480,391     |
| The Thal Industries Corporation Limited     | Associated Company       | Mark-up charged on long term loan  | 16,603,863                   | -               | 62,811,170                   | -               |
|   |                          | Sale - Store items                 | 517,140                      | -               | 15,248,100                   | -               |
|   |                          | Purchases - store items            | 18,495,654                   | -               | 11,620,587                   | -               |
|   |                          | Purchases - plant and machinery    | -                            | -               | 4,123,738                    | -               |
|   |                          | Paid / received / adjustment (net) | 17,978,514                   | -               | 9,748,361                    | -               |
| Al-Moiz Industries Limited                  | Associated Company       | Sale of scrap                      | 43,697,340                   | -               | 13,428,601                   | -               |
|   |                          | Sale of store item                 | -                            | -               | 1,503,684                    | -               |
|   |                          | Paid / received / adjustment (net) | 35,702,340                   | -               | 1,323,104                    | -               |
|   |                          | Purchases- steel items             | -                            | -               | 9,600,101                    | -               |
|   |                          | Purchases- store item              | 7,995,000                    | -               | 454,740                      | -               |
| Directors / shareholders                    | Director                 | Directors' contribution/loan       | 290,000,000                  | 1,356,300,000   | 160,000,000                  | 1,066,300,000   |
|   |                          | Directors' contribution/loan       | 210,000,000                  | 1,199,600,000   | 150,000,000                  | 989,600,000     |
|   |                          | Directors' contribution/loan       | 25,000,000                   | 79,800,000      | -                            | 54,800,000      |
|   |                          | Directors' contribution/loan       | 175,000,000                  | 367,000,000     | 10,000,000                   | 192,000,000     |
|   |                          |                                    |                              |                 |                              |                 |
| Executives                                  | Key management Personnel | Remuneration paid                  | 35,912,249                   | -               | 27,386,315                   | -               |



### 43.1 Basis of relationship with the company

In respect of associated companies and holding company incorporated inside Pakistan with whom the company had entered into transaction during the financial year along with basis of relationship is as follows:

| Name of related party                       | Country of Incorporation/ origin | Relationship    | Basis of Association | Shareholdings | Basis of Association | Shareholdings |
|---|----------------------------------|-----------------|----------------------|---------------|----------------------|---------------|
|   |                                  |                 |                      | 2022          | 2021                 |               |
| Naubahar Bottling Company (Private) Limited | Pakistan                         | Associated      | Common management    | Nil           | Common management    | Nil           |
| Al-Moiz Industries Limited                  | Pakistan                         | Associated      | Common management    | Nil           | Common management    | Nil           |
| Moiz Textile Limited                        | Pakistan                         | Associated      | Common management    | Nil           | Common management    | Nil           |
| The Thal Industries Corporation Limited     | Pakistan                         | Associated      | Common management    | Nil           | Common management    | Nil           |
| Mr. Muhammad Shamim Khan                    | Pakistan                         | Director        | Shareholding         | 29.1623%      | Shareholding         | 29.1623%      |
| Mrs. Qaiser Shamim Khan                     | Pakistan                         | Director        | Shareholding         | 28.0002%      | Shareholding         | 28.0002%      |
| Mr. Adnan Ahmed Khan                        | Pakistan                         | Chief Executive | Shareholding         | 20.0002%      | Shareholding         | 20.0002%      |
| Mr. Nauman Khan                             | Pakistan                         | Director        | Shareholding         | 20.0002%      | Shareholding         | 20.0002%      |
| Malik Manzoor Hussain Humayun               | Pakistan                         | Director        | Shareholding         | 0.0169%       | Shareholding         | 0.0169%       |
| Mr. Farid ul din Ahmed                      | Pakistan                         | Director        | Shareholding         | 0.0021%       | Shareholding         | 0.0021%       |
| Mrs. Sarah Hajra Khan                       | Pakistan                         | Director        | Shareholding         | 0.0032%       | Shareholding         | 0.0032%       |

43.2 The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 48)". There are no transactions with key management personnel other than under their terms of employment except otherwise stated.

43.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of its management team, including the Chief Executive Officer and the Directors to be key management personnel.

### 44. (LOSS) / EARNING PER SHARE - BASIC AND DILUTED (RUPEES)

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

|  | 2022          | 2021        |
|--|---------------|-------------|
| (Loss) / profit after taxation - (Rupees)  | (242,296,861) | 122,218,849 |
| Weighted average number of ordinary shares | 9,450,000     | 9,450,000   |
| (loss) / earning per share - (Rupees)      | (25.64)       | 12.93       |

#### 45. RECONCILIATION OF MOVEMENT OF LIABILITIES AND EQUITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

|                                    | Liabilities                           |                           |                       | Total           |
|------------------------------------|---------------------------------------|---------------------------|-----------------------|-----------------|
|                                    | Short & Long term<br>Loans and others | Directors<br>contribution | Associated<br>company |                 |
|                                    | (Rupees)                              |                           |                       |                 |
| Balance as at October 1, 2021      | 34,513,464                            | 2,302,700,000             | 600,000,000           | 2,937,213,464   |
| Contribution / borrowings obtained | 3,442,735,539                         | 700,000,000               | -                     | 4,142,735,539   |
| Repayment of financing             | (2,527,936,477)                       | -                         | -                     | (2,527,936,477) |
| Payment / adjustment               | -                                     | -                         | (600,000,000)         | (600,000,000)   |
|                                    | 914,799,062                           | 700,000,000               | (600,000,000)         | 1,014,799,062   |
| Balance as at September 30, 2022   | 949,312,526                           | 3,002,700,000             | -                     | 3,952,012,526   |

45.1 There is no movement in the dividend during the year, therefore no reconciliation has been prepared.

45.2 There is Rs. 2.11 million (2021: Rs. 10.913 million) non cash transaction of lease obligation.

#### 46. FINANCIAL INSTRUMENTS

##### Financial risk management

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

##### 46.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counterparty fails completely to perform as contracted and arise principally from trade debts, loans and advances, trade deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

|                       | 2022<br>Rupees | 2021<br>Rupees |
|-----------------------|----------------|----------------|
| Long term deposits    | 1,862,450      | 1,337,050      |
| Trade debts           | 8,258,625      | 4,576,692      |
| Loans and advances    | 42,632         | 107,105        |
| Short term investment | -              | 100,355,619    |
| Bank balances         | 224,882,983    | 26,468,785     |
|                       | 235,046,690    | 132,845,251    |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty. To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's

financial position, past experience and other factors. Credit terms are approved by the approval committee. Where considered necessary, advance payments are obtained from certain parties. There is no separate credit period defined.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

|          | 2022<br>Rupees | 2021<br>Rupees |
|----------|----------------|----------------|
| Export   | -              | -              |
| Domestic | 8,258,625      | 4,576,692      |
|          | 8,258,625      | 4,576,692      |

Trade receivables by geographical split is as follows:

| Country  | LC | Sales         |               | Trade debts (Rupees) |           |
|----------|----|---------------|---------------|----------------------|-----------|
|          |    | Others        | Total         | Outstanding balance  |           |
|          |    | (Rupees)      |               | 2022                 | 2021      |
| Pakistan | -  | 3,938,711,677 | 3,938,711,677 | 8,258,625            | 4,576,692 |
| Total    | -  | 3,938,711,677 | 3,938,711,677 | 8,258,625            | 4,576,692 |

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

|                    | 2022<br>Rupees | 2021<br>Rupees |
|--------------------|----------------|----------------|
| Dealers/industries | 8,258,625      | 4,576,692      |
| End-user customers | -              | -              |
|                    | 8,258,625      | 4,576,692      |

The aging of trade receivable at the reporting date is:

|                             |           |           |
|-----------------------------|-----------|-----------|
| Not past due                | -         | -         |
| Past due 1-30 days          | -         | -         |
| Past due 30-180 days        | 8,258,625 | 4,576,692 |
| Past due more than 180 days | -         | -         |
|                             | 8,258,625 | 4,576,692 |

The company's most significant customers are Abdur Rehman & Co. (2021: Six-B Food Industries (Private) Limited) from whom the receivable was Rs. 8.039 million (2021: Rs. 3.348 million ). During the year an amount of Rs. 1,377.915 million (2021: Nil) of sales have been made to an associated company, Naubahar Bottling Company (Private) Limited on prevailing market rates which is also a significant customer of the Company.

Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that impairment allowance is necessary in respect of trade debtors past due, accordingly appropriate impairment loss has been recorded in these financial statements.

No impairment charged during the year.

The Company's bank balances can be assessed with reference to external credit ratings as follows:

|                                 | Rating Agency | Ratings    |           | 2022 Rupees | 2021 Rupees |
|---------------------------------|---------------|------------|-----------|-------------|-------------|
|                                 |               | Short Term | Long Term |             |             |
| Bank Al-Habib Limited           | PACRA         | A1+        | AA+       | -           | -           |
| Bank Al-Habib Limited           | PACRA         | A1+        | AA+       | 199,887,997 | 12,651,410  |
| Bank Al-Habib Limited           | PACRA         | A1+        | AA+       | 599         | 599         |
| Allied Bank Limited             | PACRA         | A1+        | AAA       | 473,971     | 1,320,855   |
| United Bank Limited             | VIS           | A-1+       | AAA       | -           | -           |
| MCB Bank Limited                | PACRA         | A-1+       | AAA       | 1,012,831   | 1,190,365   |
| MCB Islamic Bank Limited        | PACRA         | A          | A1        | 412,728     | -           |
| National Bank of Pakistan       | PACRA         | A-1+       | AAA       | 79,736      | 79,736      |
| Habib Bank Limited              | JCR-VIS       | A-1+       | AAA       | 10,789,795  | 7,360,062   |
| Habib Metropolitan Bank Limited | PACRA         | A1+        | AA+       | -           | -           |
| Summit Bank Limited             | VIS           | NA         | NA        | -           | -           |
| Bank Alfalah Limited            | PACRA         | A1+        | AA        | 4,951,010   | 1,157,800   |
| JS Bank Limited                 | PACRA         | A1+        | AA-       | -           | -           |
| The Bank of Punjab              | PACRA         | A1+        | AA        | -           | -           |
| Askari Bank Limited             | PACRA         | A1+        | AA+       | 821,865     | 154,665     |
| Apna Microfinance Bank Limited  | PACRA         | A3         | BBB+      | -           | -           |
| Soneri Bank Limited"            | PACRA         | A1+        | AA-       | 448,595     | 157,305     |
| Meezan Bank Limited             | VIS           | A-1+       | AA+       | 6,003,856   | 2,395,988   |

### Cash and bank balances

The Company held cash and cash equivalents amounting to Rs. 225.53 million (2021: Rs. 26.945 million). These cash and cash equivalents are held with banks and financial institutions counterparties, which are rated A to AA+, based on PACRA ratings. Impairment on cash and cash equivalents has been measured on a 12 month expected loss basis and reflects short term maturities of the exposure. The Company considers its cash and cash equivalents have low credit risk based on the external ratings of the counterparties. 12 month probabilities of default are based on historical data supplied by PACRA rating agency for each credit rating. Loss given default (LGD) parameters generally reflect assumed recovery rates based on recovery rates assumed in Basel Guidelines for unsecured exposures.

### Advances, deposits and other receivables

Advances, deposits and other receivables mainly comprise of advances to employees against salaries, receivables from related parties and deposits with government entities. The Company has assessed, based on historical experience and available securities, that the expected credit loss associated with these financial assets is trivial and therefore no impairment charge has been accounted for.

## 46.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

|                                    | Carrying<br>amount   | Contractual<br>cash flow | One to<br>twelve months | One to<br>two years | Two to<br>five years |
|------------------------------------|----------------------|--------------------------|-------------------------|---------------------|----------------------|
|                                    | (Rupees)             |                          |                         |                     |                      |
| <b>2022</b>                        |                      |                          |                         |                     |                      |
| <b>Financial liabilities</b>       |                      |                          |                         |                     |                      |
| Long term loan                     | 499,956,000          | 573,049,567              | 204,398,100             | 145,175,248         | 223,476,219          |
| Mark-up accrued                    | 298,446,922          | 298,446,922              | 298,446,922             | -                   | -                    |
| Lease liabilities                  | 11,698,208           | 1,682,756                | 603,012                 | 1,079,744           | -                    |
| Due to Pattoki Sugar Mills Limited | 16,656,242           | 16,656,242               | 16,656,242              | -                   | -                    |
| Trade and other payables           | 132,419,527          | 132,419,527              | 132,419,527             | -                   | -                    |
| Short term borrowing               | 440,005,920          | 440,005,920              | 440,005,920             | -                   | -                    |
| Unclaimed dividend                 | 255,930              | 255,930                  | 255,930                 | -                   | -                    |
|                                    | <u>1,399,438,749</u> | <u>1,462,516,864</u>     | <u>1,092,785,653</u>    | <u>146,254,992</u>  | <u>223,476,219</u>   |
| <b>2021</b>                        |                      |                          |                         |                     |                      |
| <b>Financial liabilities</b>       |                      |                          |                         |                     |                      |
| Loan from associated company       | 600,000,000          | 676,500,000              | 338,250,000             | -                   | 338,250,000          |
| Mark-up accrued                    | 247,610,328          | 247,610,328              | 247,610,328             | -                   | -                    |
| Lease liabilities                  | 10,704,121           | 1,682,756                | 603,012                 | 1,079,744           | -                    |
| Due to Pattoki Sugar Mills Limited | 14,426,698           | 14,426,698               | 14,426,698              | -                   | -                    |
| Trade and other payables           | 139,137,334          | 139,137,334              | 139,137,334             | -                   | -                    |
| Short term borrowing               | 20,295,945           | 20,295,945               | 20,295,945              | -                   | -                    |
| Unclaimed dividend                 | 255,930              | 255,930                  | 255,930                 | -                   | -                    |
|                                    | <u>1,032,430,356</u> | <u>1,099,908,991</u>     | <u>760,579,247</u>      | <u>1,079,744</u>    | <u>338,250,000</u>   |

#### 46.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

##### a) Currency risk

The Company is exposed to currency risk on trade debts, import of raw materials and stores and spares and export sales that are denominated in a currency other than the respective functional currency of the Company, primarily in U.S. dollar. The Company's exposure to foreign currency risk is as follows:

|                               | <b>2022<br/>Rupees</b> | <b>2021<br/>Rupees</b> |
|-------------------------------|------------------------|------------------------|
| Trade debts                   | -                      | -                      |
| Gross balance sheet exposure  | -                      | -                      |
| Outstanding letters of credit | -                      | -                      |
| <b>Net exposure</b>           | -                      | -                      |

The following significant exchange rates applied during the year:

|            | <b>Average rate</b> |        | <b>Reporting date rate</b> |        |
|------------|---------------------|--------|----------------------------|--------|
|            | <b>2022</b>         | 2021   | <b>2022</b>                | 2021   |
| USD to PKR | 208.79              | 163.15 | 228.45                     | 158.30 |

## Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been lower by the amount shown below.

|                          | 2022<br>Rupees | 2021<br>Rupees |
|--------------------------|----------------|----------------|
| Effect on profit or loss |                |                |
| Loss                     | -              | -              |

The weakening of the PKR against US dollar would have had an equal but opposite impact on the post tax profits / loss.

## b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk. At the balance sheet date the interest rate profile of the Group's interest - bearing financial instruments is as follows:

|                              | 2022<br>Effective rate | 2021   | 2022<br>Carrying amount<br>Rupees | 2021<br>Carrying amount<br>Rupees |
|------------------------------|------------------------|--------|-----------------------------------|-----------------------------------|
| Financial liabilities        |                        |        |                                   |                                   |
| Variable rate instruments:   |                        |        |                                   |                                   |
| Loan from associated company | -                      | 7.950% | -                                 | 300,000,000                       |
| Long term loan               | 14.62%                 | -      | 499,956,000                       | -                                 |
| Short term borrowings        | 14.430%                | 8.530% | 440,005,920                       | 20,295,945                        |
|                              |                        |        | 939,961,920                       | 320,295,945                       |

Effective interest rates are also mentioned in the respective notes to the financial statements.

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2022.

|   | Profit and loss<br>100 bp<br>increase | 100 bp<br>decrease |
|---|---------------------------------------|--------------------|
| As at September 30, 2022                                    |                                       |                    |
| Cash flow sensitivity - Variable rate financial liabilities | (9,399,619)                           | 9,399,619          |
| As at September 30, 2021                                    |                                       |                    |
| Cash flow sensitivity - Variable rate financial liabilities | (3,202,959)                           | 3,202,959          |

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

## Interest rate risk management

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long and short term borrowing and loans and advances by the Company has variable rate pricing that is mostly dependent on Karachi Inter Bank Offered Rate ("KIBOR") as indicated in respective notes.

### 46.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to price risk as there is a financial instrument (short term investment) at the reporting date that are sensitive to price fluctuations.

|                            | 2022<br>Rupees | 2021   | 2022<br>Rupees | 2021<br>Carrying amount<br>Rupees |
|----------------------------|----------------|--------|----------------|-----------------------------------|
| <b>Financial assets</b>    |                |        |                |                                   |
| Variable rate instruments: |                |        |                |                                   |
| Short term investment      | 101.17         | 101.17 | -              | 100,355,619                       |

### Cash flow sensitivity analysis for variable rate instruments

A change of 10% price rate at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2022.

|   | Profit and loss |                 |
|---|-----------------|-----------------|
|   | 10%<br>increase | 10%<br>decrease |
| <b>As at September 30, 2022</b>                             |                 |                 |
| Cash flow sensitivity - Variable rate financial liabilities | -               | -               |
| <b>As at September 30, 2021</b>                             |                 |                 |
| Cash flow sensitivity - Variable rate financial liabilities | 10,035,562      | (10,035,562)    |

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

### 46.5 Risk management strategy related to sugarcane supplies

The Company is exposed to the following risks relating to its sugarcane supplies.

The Company is subject to various laws and regulations in Pakistan. The Company has established environmental policies and procedures aimed at ensuring compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

#### Climate and other risks

Due to inherent nature of the agricultural products, it contains elements of significant risks and uncertainties which may adversely affect business and resultant profitability, including but not limited to the following:

- adverse weather conditions such as floods etc. affecting the quality and quantity of production; and
- potential insect, fungal and weed infestations resulting in crop failure and reduced yields

The Company is principally dependent upon the Government's measures for flood control. The Company provides to cane growers an effective preventive pesticide / insecticide / fungicide program, regularly monitors the crops for any infestations and takes immediate curative measures.

### Supply and demand risk

The price of sugarcane is driven by consumer demand of sugar as well as Government's intervention in setting of minimum / support price for the grower. Surplus production or bumper crop may result in a lower selling price hence affecting profitability of the Company adversely. The Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis for projected harvest volume and analysis.

## 47. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The different levels for fair value estimation used by the Company have been explained as follows;

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level-1).
- Inputs other than quoted prices included within level - 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ( Level-2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (Level-3).

There were no financial instruments held by the Company which are measured at fair value as of September 30, 2022 and September 30, 2021.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred. However, there were no transfers between levels of fair value hierarchy during the year.

The Company has valued its some of fixed assets at fair value and classified under Property, Plant and Equipment. The carrying value and level of fair value of these non - financial assets have been disclosed in the relevant note to the financial statements.



The following is categorization of assets measured at fair value at September 30, 2022:

|                     | 2022    |               |         |               |
|---------------------|---------|---------------|---------|---------------|
|                     | Level 1 | Level 2       | Level 3 | Total         |
|                     | Rupees  |               |         |               |
|                     |         |               |         |               |
| <b>Assets:</b>      |         |               |         |               |
| Free hold land      | -       | 1,728,240,000 | -       | 1,728,240,000 |
| Buildings           | -       | 290,689,156   | -       | 290,689,156   |
| Plant and machinery | -       | 1,494,941,821 | -       | 1,494,941,821 |
|                     |         |               |         |               |
|                     | 2021    |               |         |               |
|                     | Level 1 | Level 2       | Level 3 | Total         |
|                     | Rupees  |               |         |               |
|                     |         |               |         |               |
| <b>Assets:</b>      |         |               |         |               |
| Free hold land      | -       | 1,260,192,500 | -       | 1,260,192,500 |
| Buildings           | -       | 221,542,290   | -       | 221,542,290   |
| Plant and machinery | -       | 1,323,968,991 | -       | 1,323,968,991 |

There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the periods.

#### 48. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

|                         | Chief Executive |      | Directors |      | Executives |            |
|-------------------------|-----------------|------|-----------|------|------------|------------|
|                         | 2022            | 2021 | 2022      | 2021 | 2022       | 2021       |
|                         | (Rupees)        |      |           |      |            |            |
| Managerial remuneration | -               | -    | -         | -    | 19,972,565 | 16,176,211 |
| House rent allowance    | -               | -    | -         | -    | 8,372,518  | 6,468,543  |
| Utility expenses        | -               | -    | -         | -    | 2,139,159  | 1,618,349  |
| Bonus (performance)     | -               | -    | -         | -    | 2,459,858  | 2,637,212  |
| Reimbursable expenses   | -               | -    | -         | -    | 2,968,149  | 356,000    |
| Gratuity                | -               | -    | -         | -    | -          | 130,000    |
| Meeting fee             | 30,000          | -    | 270,000   | -    | -          | -          |
|                         | 30,000          | -    | 270,000   | -    | 35,912,249 | 27,386,315 |
| Number of persons       | 1               | 1    | 6         | 6    | 12         | 11         |

48.1 The Company also provides the Executives with Company maintained house. Additionally the Executives were provided free use of Cellular phone and company maintained cars in accordance with their terms of employment.

48.2 The Chief executive and directors of the company have waived their rights to receive meeting fee except which is mentioned above. No remuneration have been paid to executive / non executive directors of the Company.

#### 49. RECOVERABLE AMOUNTS AND IMPAIRMENTS

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless otherwise stated in financial statements.

#### 50. CAPACITY AND PRODUCTION

|  | 2022<br>Number | 2021<br>Number |
|--|----------------|----------------|
| Crushing capacity on the basis of operating days (Metric tons) | 560,000.000    | 560,000.000    |
| Actual crushing (Metric tons)                                  | 604,762.396    | 457,224.825    |
| Sugar production from cane (Metric tons)                       | 54,026.500     | 41,501.500     |
| Recovery of sugar cane (percentage)                            | 8.936%         | 9.072%         |

- 50.1 Actual production per day has been increased as compared to designed capacity due to replacement of old machines with modern machines. (2021: Actual production per day has been increased as compared to designed capacity due to replacement of old machines with modern machines).

#### 51. NUMBER OF EMPLOYEES

|   | 2022<br>Number | 2021<br>Number |
|---|----------------|----------------|
| Number of employees at September 30         |                |                |
| Permanent                                   |                |                |
| Head office                                 | 4              | 4              |
| Factory                                     | 91             | 88             |
| Contractual / temporary                     |                |                |
| Head office                                 | 2              | 1              |
| Factory                                     | 338            | 310            |
| Average number of employees during the year |                |                |
| Permanent                                   |                |                |
| Head office                                 | 4              | 4              |
| Factory                                     | 93             | 75             |
| Contractual / temporary                     |                |                |
| Head office                                 | 2              | 1              |
| Factory                                     | 497            | 307            |

#### 52. CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The Company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

- (ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The management at all times seeks to earn returns higher than its weighted average cost of capital, by increasing efficiencies in operations, so as to increase profitability.

|   | 2022<br>Rupees | 2021<br>Rupees |
|---|----------------|----------------|
| The proportion of debt to equity at the year end was: |                |                |
| Total Borrowings (notes 21, 23, 24, 25, 29 and 32)    | 3,954,360,128  | 2,933,700,066  |
| Less: Balances with banks (note 19)                   | (225,531,346)  | (26,945,258)   |
| Net debt  | 3,728,828,782  | 2,906,754,808  |
| Total equity - including surplus on fixed asset       | 2,771,752,793  | 1,793,442,070  |
| Total capital   | 6,500,581,575  | 4,700,196,878  |
| Gearing ratio   | 57%            | 62%            |

In accordance with the terms of agreement with the lenders of short term finances and long term loans (as referred to in note 24 and 29 to these financial statements), the Company is required to comply with certain financial covenants in respect of capital requirements which the Company has complied with throughout the reporting period.

### 53. RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for establishment and over sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee. The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### 54. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made during the year except tax refund due from government amounting to Rs. 1.652 million has been reclassified from other receivable to tax refund due from government for better presentation.

### 55. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

55.1 During the year the Company has obtained borrowings from directors.

55.2 All other significant transactions and events that have affected the Company's financial position and performance during the year have been adequately disclosed in the notes to these financial statements.

## 56. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable events after the balance sheet date.

## 57. FINANCIAL INSTRUMENTS BY CATEGORY

| Note | Carrying amount                    |   |       | Fair value |         |         |       |
|------|------------------------------------|---|-------|------------|---------|---------|-------|
|      | Financial assets at amortized cost | Financial liabilities at amortized cost | Total | Level 1    | Level 2 | Level 3 | Total |

### On-Balance sheet financial instruments

As at September 30, 2022

#### Financial assets

##### At amortised cost

|                        |    |             |   |             |   |   |   |   |
|------------------------|----|-------------|---|-------------|---|---|---|---|
| Long term deposits     | 10 | 1,862,450   | - | 1,862,450   | - | - | - | - |
| Trade debts            | 13 | 8,258,625   | - | 8,258,625   | - | - | - | - |
| Loans and advances     | 15 | 42,632      | - | 42,632      | - | - | - | - |
| Cash and bank balances | 19 | 225,531,346 | - | 225,531,346 | - | - | - | - |
|                        |    | 235,695,053 | - | 235,695,053 | - | - | - | - |

#### Financial liabilities at amortised cost

|                                    |    |   |               |               |   |   |   |   |
|------------------------------------|----|---|---------------|---------------|---|---|---|---|
| Long term loans                    | 24 | - | 499,956,000   | 499,956,000   | - | - | - | - |
| Lease liabilities                  | 25 | - | 11,698,208    | 11,698,208    | - | - | - | - |
| Trade and other payables           | 27 | - | 132,419,527   | 132,419,527   | - | - | - | - |
| Unclaimed dividend                 |    | - | 255,930       | 255,930       | - | - | - | - |
| Due to Pattoki Sugar Mills Limited | 28 | - | 16,656,242    | 16,656,242    | - | - | - | - |
| Short term borrowing               | 29 | - | 440,005,920   | 440,005,920   | - | - | - | - |
| Mark-up accrued                    | 30 | - | 298,446,922   | 298,446,922   | - | - | - | - |
|                                    |    | - | 1,399,438,749 | 1,399,438,749 | - | - | - | - |

### On-Balance sheet financial instruments

As at September 30, 2021

#### Financial assets at amortised cost

|                                 |    |             |   |             |             |   |             |             |
|---------------------------------|----|-------------|---|-------------|-------------|---|-------------|-------------|
| Long-term deposits              | 10 | 1,337,050   | - | 1,337,050   | -           | - | -           | -           |
| Trade debts - net of provisions | 13 | 4,576,692   | - | 4,576,692   | -           | - | -           | -           |
| Loans and advances              | 15 | 107,105     | - | 107,105     | -           | - | -           | -           |
| Short term investments          | 14 | 100,355,619 | - | 100,355,619 | 100,355,619 | - | 100,355,619 | -           |
| Cash and bank balances          | 19 | 26,945,258  | - | 26,945,258  | -           | - | -           | -           |
|                                 |    | 133,321,724 | - | 133,321,724 | 100,355,619 | - | -           | 100,355,619 |

#### Financial liabilities at amortised cost

|                                 |    |   |               |               |   |   |   |   |
|---------------------------------|----|---|---------------|---------------|---|---|---|---|
| Loan from Associated Company    | 23 | - | 600,000,000   | 600,000,000   | - | - | - | - |
| Lease liability                 | 25 | - | 10,704,121    | 10,704,121    | - | - | - | - |
| Trade and other payables        | 27 | - | 139,137,334   | 139,137,334   | - | - | - | - |
| Unclaimed dividend              |    | - | 255,930       | 255,930       | - | - | - | - |
| Due to Pattoki Sugar Mills Ltd. | 28 | - | 14,426,698    | 14,426,698    | - | - | - | - |
| Short term borrowing            | 29 | - | 20,295,945    | 20,295,945    | - | - | - | - |
| Mark-up accrued                 | 30 | - | 247,610,328   | 247,610,328   | - | - | - | - |
|                                 |    | - | 1,032,430,356 | 1,032,430,356 | - | - | - | - |

**57.1** The Company has valued certain fixed assets at fair value and classified under property, plant and equipment. The carrying value and level of fair value of these non - financial assets have been disclosed in the relevant note to the financial statements.

**57.2** Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

## 58. SEASONALITY OF OPERATIONS

Due to seasonal nature of sugar business, operating results of the Company are expected to fluctuate in the second half of the year. The sugarcane crushing season normally starts from November and lasts till April each year.

## 59. OPERATING SEGMENTS

These financial statements have been prepared on the basis of single reportable segments.

Sugar Sales represents 85.67% (2021 : 89.49%) of the total sales of the Company.

The Company's sales relate to the customers in Pakistan.

All non - current assets of the company as at September 30, 2022 are located in Pakistan.

No sale accounted for 10% or more of total sales was made to any customer during the year, except Naubahar Bottling Company (Private) Limited, an associated company which constitute of 31% of total sugar sales (2021: No sale accounted for 10% or more of total sales was made to any customer during the year)

## 60. IMPACT OF COVID -19 ON THE FINANCIAL STATEMENTS

The COVID-19 pandemic has generally been in control during the year, with variations in its spread and intensity across the country. However, the Company has reviewed its exposure to business risks and has not identified any significant impact on the Company's operations or decline in revenue during the year ended September 30, 2022.

## 61. DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

The Company is not listed on All Share Islamic Index, therefore, no disclosure has been made in this regards in these financial statements as required by the Fourth Schedule of Companies Act, 2017.

## 62. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on December 27, 2022 by the Board of Directors of the Company.

## 63. GENERAL

63.1 Figures have been rounded off to the nearest rupees unless stated otherwise.

63.2 At the time of the meeting of Board of Directors, the Chief Executive Officer is not available in Pakistan. Therefore, as prescribed under section 232 of Companies Act, 2017, these financial statements are signed by two Directors and the Chief Financial Officer.

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



# Proxy Form

No. of Shares

Folio No./CDC Participant ID

I/We \_\_\_\_\_  
of \_\_\_\_\_

Being member of BABA FARID SUGAR MILLS LIMITED hereby appoint

Mr./Miss/Mrs. \_\_\_\_\_

of failing him/her \_\_\_\_\_

being a member of the company a my/our proxy to attend, act and vote for me/us and on my/us and on my/or behalf, at the 44<sup>th</sup> Annual General Meeting of the company to be held Registered Office, 2-D-1, Gulberg III, Lahore on Friday, the 27<sup>th</sup> January, 2023 at 3.00 p.m. and every adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2023

Signed by the said \_\_\_\_\_ of \_\_\_\_\_

1. Witness's Signature

Name: \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address: \_\_\_\_\_

Member's Signature

\_\_\_\_\_

2. Witness's Signature

Name: \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address: \_\_\_\_\_

Date \_\_\_\_\_

Place \_\_\_\_\_

Notes: \_\_\_\_\_

Revenue Stamp  
Rs. 50/-

1. This form of proxy, in order to be effected must be deposited duly completed at the registered office 2-D-1, Gulberg III, Lahore, not less than 48 hours before the time for holding the meeting.
2. A Proxy must be a member of the company.
3. Signature should agree with the specimen registered with the company.
4. CDC shareholder's entitled to attend and vote at this meeting must bring with them their Computerized National Identity Card / passport in original to provide his/her identity.





# بابا فرید شوگر ملز لمیٹڈ

## مختار نامہ

میں / ہم ----- کا / کے -----  
 بحیثیت رکن بابا فرید شوگر ملز لمیٹڈ اور حال حصص، بمطابق شیئر رجسٹر فلیو نمبر -----  
 اور ایسی ڈی سی پارٹسپینٹ (شرکت آئی ڈی نمبر -----  
 اور سب اکاؤنٹ ذیلی کھاتہ نمبر -----  
 محترم / محترمہ -----  
 کو اپنے / ہمارے ایماء پر ----- مورخہ 27 جنوری 2023ء بروز جمعہ بوقت 3:00 بجے -----  
 کو منعقد ہونے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔  
 آج بروز ----- بتاریخ ----- 2023ء کو دستخط کیے گئے۔

گواہان

1-

پچاس روپے کے رسید ٹکٹ پر دستخط

دستخط: -----  
 نام: -----  
 پتہ: -----  
 کمپیوٹرائزڈ شناختی کارڈ نمبر: -----

2-

دستخط کمپنی کے نمونہ دستخط سے  
 مماثل ہونے چاہئیں

دستخط: -----  
 نام: -----  
 پتہ: -----  
 کمپیوٹرائزڈ شناختی کارڈ نمبر: -----

نوٹ:

- 1- ایک ممبر (رکن) جو اجلاس میں شرکت نہیں کر سکتا وہ اس فارم کو مکمل کرے اور دستخط کرنے کے بعد اجلاس شروع ہونے سے کم از کم 48 گھنٹے قبل رجسٹرڈ آفس کے پتے پر ارسال کرے۔
- 2- سی ڈی سی شیئر ہولڈر ہونے کی صورت میں درج بالا کے علاوہ ذیل میں درج ہدایات پر بھی عمل کرنا ہوگا۔
- الف۔ فرد ہونے کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور / یا وہ جس کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق اپ لوڈ ہوں انہیں کمپنی کی جانب سے دی گئی ہدایت کی روشنی میں پراکسی فارم جمع کرانا ہوگا۔
- ب۔ مختار نامہ پر بطور گواہان دو افراد کے دستخط ہونے چاہئیں اور ان کے نام، پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبر فارم پر درج ہوں۔
- ج۔ بینشئل اوٹرز (مستفید ہونے والے فرد) کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوگی جسے نائب مختار نامہ کے ہمراہ پیش کرے گا۔
- د۔ اجلاس کے وقت نائب کو اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔
- و۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن) بورڈ آف ڈائریکٹرز قرارداد / مع نامزد کردہ شخص / اٹارنی کے نمونہ دستخط پاور آف اٹارنی (اگر پہلے فراہم نہ کئے گئے ہوں) پراکسی فارم (مختار نامہ) کے ہمراہ کمپنی میں جمع کرانا ہوگا۔





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IF UNDELIVERED, PLEASE RETURN TO

**BABA FARID**  
**SUGAR MILLS LIMITED**  
2-D-1, GULBERG III, LAHORE